



ASOS is a global fashion destination for 20-somethings. We sell cutting-edge 'fast fashion' and offer a wide variety of fashion-related content, making ASOS.com the hub of a thriving fashion community. We sell more than 75,000 branded and own-brand products through localised mobile and web experiences, delivering from our fulfilment centres in the UK, US, Europe and China to almost every country in the world.

This has been a challenging year. The UK has out performed but international markets have been impacted by the strengthening pound. Despite this, our customer engagement has continued to improve and we have made significant investments in the infrastructure we need to support our future growth. We have continued on our ambitious journey of re-platforming our underlying technology, opened a new warehouse facility in Europe, extended our main Barnsley warehouse by over 25%, and launched a new start-up business in China.

Our ambition remains to be the world's no.1 fashion destination for 20-somethings.



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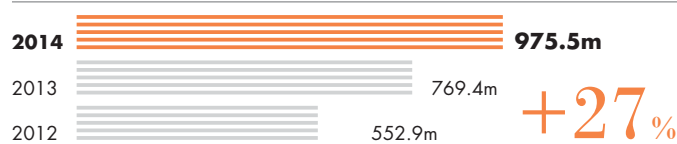
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FINANCIAL AND OPERATIONAL HIGHLIGHTS

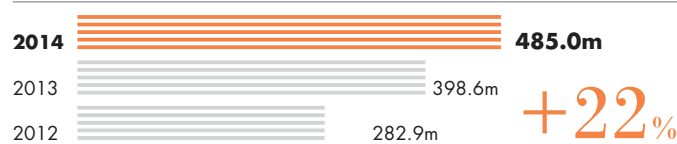
- **Retail sales up 27% (UK retail sales up 35%, International retail sales up 22%)**
- **Continued global expansion**
– International retail sales are 61% of total
- **8.8m active customers¹ as at 31 August 2014 (31 August 2013: 7.1m)**
- **Improved technology platforms especially local language mobile sites – mobile accounts for over 45% of traffic**
- **Profit before tax of £46.9m, down 14% on prior year due to a challenging trading environment plus costs related to investments in our infrastructure and our China operation**



REVENUE (£)



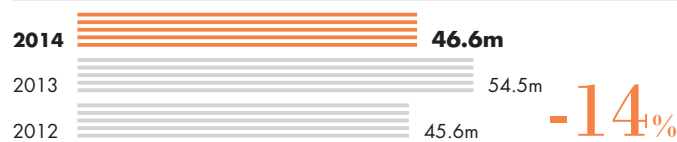
GROSS PROFIT (£)



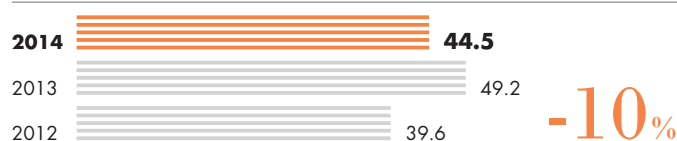
PROFIT AFTER TAX² (£)



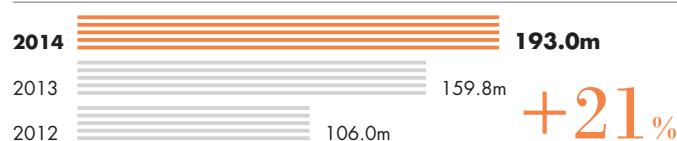
OPERATING PROFIT² (£)



DILUTED EPS² (p)



NET ASSETS (£)



All 2012 comparatives are unaudited, following a change of financial year end.

1 Defined as having shopped in the last twelve months.

2 Underlying, excluding exceptional items.



Brian McBride
Chairman

My first Chairman's Statement, in last year's Annual Report, was easy to write – there is always a lot to talk about in a good year. My statement this year has needed rather more reflection, since the year did not pan out as any of us at ASOS wanted, as you can read about in detail in the performance section overleaf. In the last year, we faced unexpected events outside our control, like the fire at our Barnsley warehouse and the strengthening pound; and some challenging internal projects, including working our way through the IT engineering needed to update our systems. All these combined to hamper our financial performance.

However, such issues are nothing new in the corporate world, especially for a business growing as quickly as ASOS. Most importantly, I am confident that the management team is dealing with these events effectively, and the business as a whole is coming through stronger and better prepared for the next exciting chapter in our history.

Employees

One thing that never falters is the hard work and commitment of ASOS employees – they have coped incredibly well with this year's events. In particular, the team effort to re-open our virtual doors within 48 hours of the warehouse fire was awe-inspiring. On behalf of the Board, I would like to thank all our employees for everything they have done – they remain the key to getting us where we aim to be. I'm also really pleased that Hilary Riva and Rita Clifton joined the Board in the last year. With their strong backgrounds in retail and marketing, they have already brought new insight and expertise to the Board table, and their contributions will be very valuable to ASOS. I'd also like to thank Peter Williams and Mary Turner for their advice and assistance throughout their time with ASOS. They have both been an important part of making ASOS the company it is today.

Strategy

Our aims have not changed: our objective is still to be the world's no.1 fashion destination for 20-somethings. None of the events of the year suggest our aims are wrong – whether that means focusing on the customer, exploiting the global reach of the internet, or operating a highly efficient retail business. Our attention remains fixed on reaching that prize and making our customers happy, whether they are in the UK, Australia, Russia, China or anywhere else in the world.

Customer proposition

ASOS will therefore continue to focus on delivering an outstanding customer proposition and service, whilst searching for new ways to connect with our customers, particularly via social media. Our UK sales growth demonstrates the strength and relevance of our product offering, our customer engagement and our delivery options. We have continued to replicate those UK success factors internationally, although sterling's strength masked those developments during the year. There are plenty more opportunities for ASOS to build on that in all our territories.

Investment

The past year's events have increased our determination to invest appropriately. The opportunities open to us remain plentiful. But realising those opportunities requires us to have appropriate infrastructure in place, which is why we have continued to step up our investment programme, even though it suppressed our profitability. It is also why we continue to believe it is in the Company's best interests to reinvest our cash, rather than pay dividends.

The year ahead

I said last year that I have an enviable role, with a unique opportunity in an incredible business. I am in no doubt that this remains the case. I'm proud to stand shoulder to shoulder with everyone at ASOS as we continue to drive the business towards its goal of becoming the world's no.1 fashion destination for 20-somethings.



Brian McBride
Chairman

OUR BUSINESS MODEL

ASOS is a global fashion destination for 20-somethings. From style advice, stories and inspiration, to more than 75,000 styles available to buy with unbeatable service, ASOS is a true home for fashion lovers.

ENGAGEMENT

Through publishing relevant content, a constant social media dialogue and our curated 'edits', we've developed an emotional connection and earned credibility with 20-something fashion-lovers around the world. We publish daily fashion and lifestyle content, and the monthly ASOS magazine is sent for free to around 500,000 customers. Our Premier membership is hugely popular.

SERVICE

We strive to offer an effortless online shopping experience from the moment a visitor arrives at ASOS.com, whatever device they are using and country they come from. Every stage of the shopping journey matters to us – from how customers discover products to the variety of payment methods, and from the speed of delivery to the ease of returns. Our award-winning customer service team helps with any questions along the way.

Where we do it

2014
International growth **+22%**

UK
Retail sales **£372.2m** **+35%**

US
Retail sales **£92.3m** **+19%**

EU
Retail sales **£256.4m** **+44%**

RoW
Retail sales **£234.4m** **+5%**

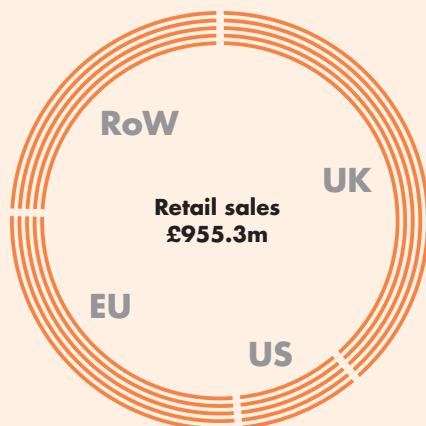
We ship to **240** countries and territories

Nine ASOS.com local country sites: UK, France, Germany, Italy, Spain, Australia, US, Russia and China

Global positioning according to Comscore

Our ranking in the Retail – Apparel category for monthly visitors aged 15-34 (August 2014)

- #1** Australia
- #43** China
- #6** France
- #8** Germany
- #8** Italy
- #7** Russia
- #10** Spain
- #1** UK
- #6** US
- #6** Worldwide



8.8m active customers¹



PRODUCT

Our buyers scour the globe for the most relevant products at the best prices. Our 75,000+ products include our own brand plus more than 800 other brands ranging from big names to up-and-coming designers. Each week up to 2,750 new styles go live and our specialist lines such as Curve and Maternity are a big hit – ensuring great fashion is accessible to everyone.

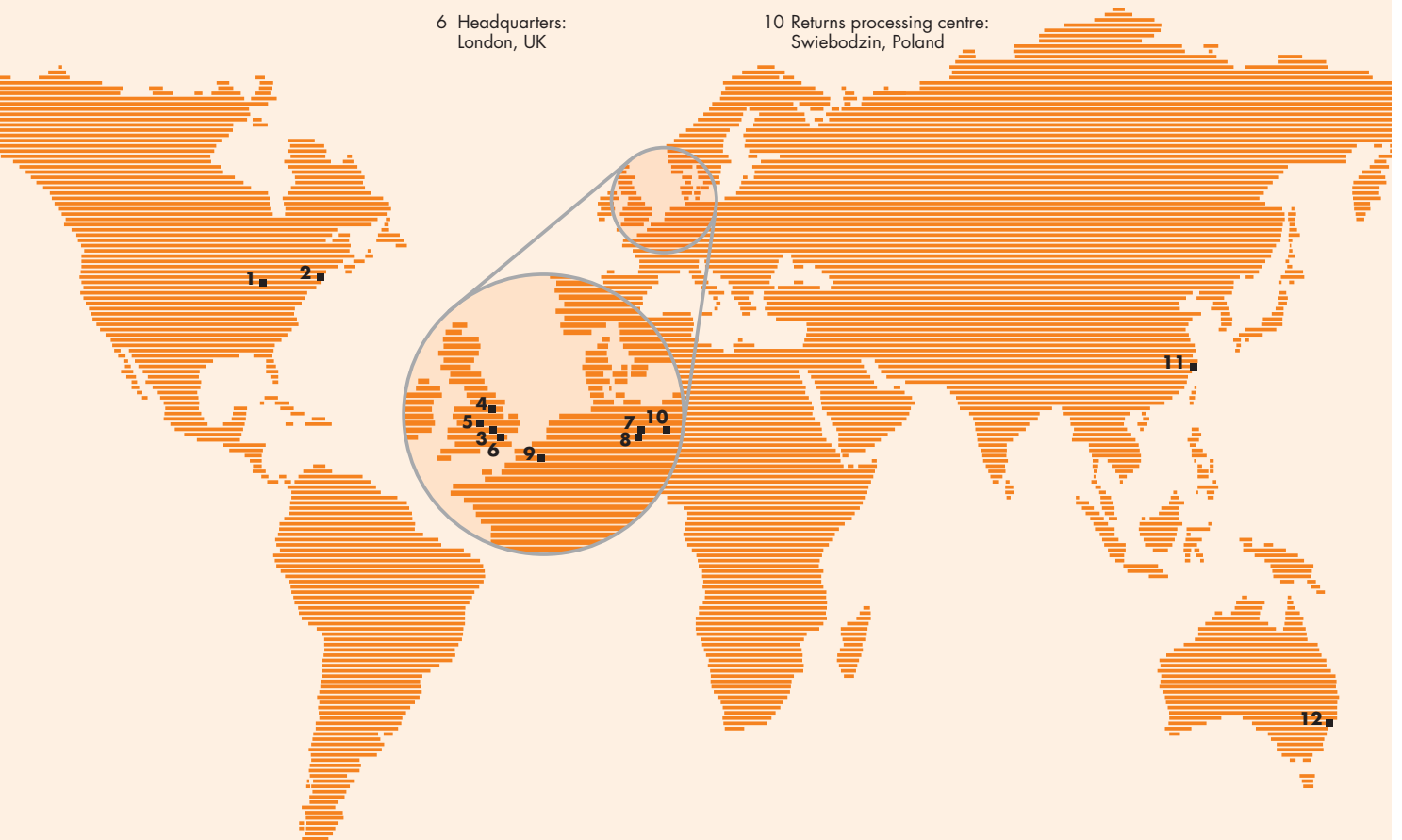
 **3.46m** likes²

 **2.16m** followers²

 **2m** followers²

 **726k** followers²

- | | | | |
|--------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| 1 US warehouse:
Ohio, US | 3 24-hour customer care office:
Hemel Hempstead, UK | 7 Marketing services office:
Berlin, Germany | 11 ASOS China trading operation:
Shanghai, China |
| 2 Marketing services office
and press showroom:
New York, US | 4 Central distribution centre:
Barnsley, UK | 8 European warehouse:
Grossbeeren, Germany | 12 Marketing services office:
Sydney, Australia |
| | 5 Additional IT support:
Birmingham, UK | 9 Marketing services office:
Lille, France | |
| | 6 Headquarters:
London, UK | 10 Returns processing centre:
Swiebodzin, Poland | |



1 As at 31 August 2014; defined as having shopped in the last twelve months.
2 As at 31 August 2014.

Strategy

We're making good progress towards our ambition to be the world's no.1 fashion destination for 20-somethings through our strategy, which comprises three core pillars.

Most engaging experience: we strive to be the one-stop destination for fashion lovers through producing and publishing regular, relevant fashion content; our huge selection of products; optimised and innovative multi-device e-commerce platforms; and our award-winning delivery experience.

- Further improved mobile and tablet experiences – these now account for over 45% of visits
- Launched #AsSeenOnMe feature to allow customers to post images of themselves wearing items directly onto product pages
- Cut-off time for UK next-day delivery extended to 10pm and introduced Sunday next day delivery within the UK
- Launched new Tall range to join our highly popular ASOS own-label ranges including Petite, Curve and Maternity
- New personal stylist feature allowing customers to receive style advice direct from fashion experts

Key performance indicators



924,553 (+20%) **Total visits** ('000)

8,848 (+25%) **Total active customers**¹ ('000)

2.86 (+5%) **Average order frequency**

20bps increase in **conversion**²

¹ As at 31 August 2014, defined as having shopped in the last twelve months.
² Total orders divided by total visits.



Truly global: we are continuing to expand our reach by improving the ASOS experience internationally. We are focusing on removing barriers such as delivery speed and payment methods, ensuring that ASOS is accessible and relevant to 20-somethings globally.

Highly efficient retailing: we are transforming our business to guarantee we deliver the right fashion at the right price to our 20-something customers across the globe. We're speeding up our supply chain and refining the journey from product design to appearing live on ASOS.com.

- Numerous improvements or additions to international delivery solutions including four new international carriers set up for shipments to Germany, Benelux, Australia, New Zealand, Ireland, Sweden and Denmark; a new French returns solution via 'LaPoste' – fully tracked drop-off at more than 13,000 post offices and outlets; and the introduction of a one-hour delivery window for all German Express customers
- Launched localised mobile apps in Australia and the US with France and Germany coming in the first six months of the next financial year
- Launched a start-up Chinese website
- Successfully integrated an 'open-invoice' payment method in Germany which has improved our sales growth in the region
- Continued review and consolidation of our supply base to improve efficiency while ensuring consistent quality
- Opened a new warehouse in Germany to serve local customers
- Investing to improve efficiency at our Barnsley hub through significant upgrades, including a new despatch sorter, extended high bay capacity and an automated order consolidation system
- Kicked off wide-reaching upgrade of key IT and web systems including new CMS, upgraded checkout/order processing and zonal pricing capability
- Completed best practice training programme with all buying and merchandising employees

627,917 (+20%) **Total visits – international** ('000)

5,400 (+56%) **Active customers – international**¹ ('000)

61% **Retail sales – international**

13,617 (+26%) **International orders** ('000)

£62.82 (+3%) **Average basket value**²

2.66 (+8%) **Average units per basket**

£23.64 (-4%) **Average selling price per unit**²

25,327 (+31%) **Total orders** ('000)

4.8% (-230bps) **EBIT margin**

49.7% (-210bps) **Gross margin**

¹ As at 31 August 2014, defined as having shopped in the last twelve months.

² Including VAT.

OUR PERFORMANCE



Nick Robertson
Chief Executive Officer



Nick Beighton
Chief Financial Officer

The year to 31 August 2014 has been challenging due to a difficult international trading environment and a fire at our main UK distribution facility in June 2014. Despite this, we delivered retail sales growth of 27% to £955.3m (2013: £753.8m) and improvements in all our customer engagement metrics, as well as accelerating our investments in warehousing and technology to provide future capacity for annual sales of £2.5bn. Profit before tax for the year decreased by 14% to £46.9m (2013: £54.7m) as a result of a challenging trading environment, plus significant incremental costs related to investments in our infrastructure and in our China operation.

OUR FASHION

We continue to focus on providing the largest and most appropriate fashion edit for our global 20-something customer, at competitive price points. With this in mind, we have continued to expand and diversify our range and now stock over 75,000 lines across more than 800 brands, including our exclusive ASOS own-label. We add more than 2,750 new lines each week and our flexible sourcing model ensures that these lines are relevant and reflect customer demand. We have also reinvested sourcing gains into our price proposition as well as expanding our range of value brands such as New Look and Monki, and plan to implement further price investment focused on our international customers during the new financial year.

Our offer incorporates Womenswear and Menswear apparel, footwear, accessories, beauty and grooming. Menswear is increasingly important to our business, underpinned by growth in our Menswear own-label product range. Within Womenswear we have diversified our range and reduced our reliance on dresses, creating a broader offer that caters for all occasions.

Our wide range of sizes continues to be a key differentiator. We stock sizes 2 to 30 in Womenswear and XXXS to XXXL in Menswear, with an increasing assortment of leg lengths, waist and shoe sizes. We also have specialist own-label ranges within Womenswear including Petite, Curve, Maternity and our new Tall range, as well as third-party ranges including New Look Petite and Tall, Vero Moda Petites and Little Mistress Plus Size.

Our brand portfolio remains large and diverse, incorporating reactive fast fashion brands, high street names and affordable premium brands that resonate with our customer. During the year we added more than 70 new brands including Reiss, Jack Wills, Pull & Bear, Weekday, Fashion Union, Noose and Monkey, Agent Provocateur and Maybelline, and will shortly be adding Abercrombie & Fitch.

OPERATIONS

Technology

While we significantly increased our investments in technology during the year and delivered more in this area than ever before, there is still much work to do, including the launch of our zonal pricing solution. We remain committed to improving our technological capabilities and plan to invest £75m across technology over the next two years including undertaking a major re-platforming that will bring significant long-term benefits to the business.

Our technology investment continues to focus both on ensuring we offer a best-in-class customer experience in all our strategic markets and on developing our underlying platforms to provide the capacity, capability and resilience to deliver our global growth targets.

We launched localised Australian and US versions of our Android and iOS apps during the year, and will follow this during the next six months with localised apps in France, Germany, Italy, Spain and Russia. We also improved the speed and stability of our existing apps, with a corresponding improvement in user ratings.

Whilst we had hoped for an earlier launch, our zonal pricing functionality will go live in a number of key territories before the peak Christmas trading season. This will initially allow us to offer locally competitive pricing and promotional activity in our strategic markets, and to sell certain brands which are otherwise restricted in these territories.

Our investment in behind-the-scenes technology continues, and we will begin to see the benefits of our new checkout and order processing functions during the new financial year. The re-platforming of our websites continues and will allow us to share all our content and product category pages globally across a wider range of languages and devices, and significantly improve our international website response times.

Customer experience

Our customer engagement remains exceptionally strong, with highest ever average order frequency, conversion and average basket size, and we exited the year with 8.8m¹ active customers, an increase of 25% over last year.

Early in the year, we launched our Quick View and #AsSeenOnMe features, followed in the second half by our new women's homepage and ASOS Personal Stylist function, through which stylists give our customers advice via live chat. We also launched our upgraded search facility in the UK and will roll this out internationally during the new financial year as well as launching our new personalised recommendation function, which provides customers with a relevant product edit based on their purchase and browsing history.

We now offer ASOS Premier membership in the UK, US, France, Germany and Australia. We further enhanced this offer during the year with a price reduction for our subscribers in Australia and the US and the introduction of free returns for subscribers in Australia. Uptake of the scheme continues to grow and ASOS Premier customers in all territories consistently shop with us more frequently and with higher annual spend than our other customers.

Global expansion

We continued to enhance our proposition in our key international strategic territories of the US, Australia, France, Germany, Russia and China with improvements to our delivery proposition and the introduction of new locally relevant payment methods. However, international trading conditions have been difficult, particularly as a result of adverse foreign exchange rate movements which impact the local competitiveness of our pricing. In response, we will commence restoring the competitiveness of our international offer in the new financial year. We also recently realigned and refocused our international team, and our near-term focus will be on generating growth in sales and market share within our existing strategic markets before introducing any significant new initiatives in other fast-growing territories. We expect to be in a position to recommence launching new country-specific websites in twelve months' time, most likely in Europe.

We invested £8.6m in our China operation during the year and, whilst the challenges of operating in China have resulted in slower progress than expected, we have gained understanding of this market and recently launched on the T-mall e-commerce platform to increase brand awareness and market share. We continue to learn lessons from the China market and are confident that we will deliver a profitable operation in this territory over the medium term.

ASOS Womenswear team sketches own-label design



Delivery and returns

Delivery and returns solutions remain key to our goal of providing a best-in-class customer proposition and we have continued to enhance our offer by reducing lead times, increasing our range of delivery and return options, and adding experience enhancements.

We introduced next-day delivery options in France and Germany and in the UK we added a Sunday next-day delivery service, introduced nationwide coverage of our evening-next-day service, and extended our next-day delivery cut-off from 9pm to 10pm. We reduced delivery lead times by two days for certain orders to Russia, Australia, Sweden and Denmark, and by one day for standard orders to Germany and Ireland. We also introduced a new US mid-tier four-day delivery solution and will launch additional mid-tier solutions in Russia and Asia during the first half of the next financial year.

We further enhanced our customer experience by extending delivery tracking to all orders in France, Sweden and Denmark and introducing our 'early warning' service for certain UK shipments, which allows a customer to plan receipt of their parcel the day before delivery by selecting one of five options including changing the delivery date or upgrading to a pre-10am or Saturday option.

We continue to expand our range of delivery and return methods, with particular focus on Pick-Up-Drop-Off ('PUDO'), which allows our customers to collect and return their order from a variety of convenient locations. Customers in France can now drop off returns at more than 13,000 post offices and other outlets, and we will launch our deliver-to-store option at more than 28,000 locations across France, Germany, Spain, Belgium and Luxembourg during the new financial year. We will also significantly extend our UK PUDO offering with a trial click-and-collect solution in partnership with major high street retailers.

¹ As at 31 August 2014, defined as having shopped in the last twelve months.

OUR PERFORMANCE continued

Barnsley warehouse expansion

ASOS team sample checking the Menswear range



Warehousing

During the first half of the year we decided to bring forward the expansion of our global logistics network as we approached our £1bn sales target a year early. As a result, we have invested £32.1m in our warehousing infrastructure during the year, largely in our Barnsley warehouse where we built two extensions, added additional storage and developed our mechanised picking solution. Whilst this has involved some short-term disruption to our logistics activities, it will ultimately provide us with a global warehousing infrastructure with capacity for annual sales of £2.5bn across warehouses in the UK, China, the US and Europe.

We extended our Barnsley warehouse to provide capacity for sales of £1.5bn, and launched a mechanised picking solution during October 2014. We expect that this solution will improve the per-person picking capability from approximately 65 units per hour to approximately 200 units per hour, delivering significant operational cost savings. We also opened a new returns processing facility in Selby, North Yorkshire as well as an off site bulk storage facility at Lister Hills near Bradford, which we will wind down during the first half of the new financial year. Due to disruption during this period of infrastructural improvement, labour cost per unit in our Barnsley facility has increased by 19% to 75p (2013: 63p), which we expect to reduce during the new financial year as we begin to realise the benefits of our mechanised picking solution. We continue to target a medium-term labour cost per unit of 50p in this warehouse.

The fire at Barnsley in June 2014 caused short-term disruption to our logistics activities but, thanks to the resilience of our disaster recovery processes, we were able to recommence trading within two days. The warehouse is now functioning as before the fire and to date we have received £11.5m insurance receipts covering costs plus a portion of business interruption losses, with further business interruption reimbursements expected.

Our first European warehouse ('Eurohub') in Grossbeeren, Germany and returns processing centre Swiebodzin, Poland have commenced initial operations. These facilities place our distribution activities closer to our customers in mainland Europe, allowing us to improve delivery lead-times, extend order cut-offs and process refunds more quickly. These facilities will in time generate significant delivery and labour cost savings. We expect to incur dual-running costs related to the establishment of these facilities during the new financial year, and will then begin to realise these cost saving benefits thereafter.

Our warehouse in the US now fulfils over 20% of US orders and our operation in China continues to develop.

PEOPLE

During the year our team grew by 461 to 1,813 employees at 31 August 2014. After recent investment in talent at all levels across the business, we are now focused on delivering our future growth targets without significant headcount increases.

Nick Beighton, Chief Financial Officer, is to become Chief Operating Officer with immediate effect. In his new role Nick will add responsibility for retail and international to his existing responsibilities for finance, IT, supply chain and logistics. Nick's expanded role will free up Nick Robertson, Chief Executive Officer, to focus on the Company's growth strategy, customer experience and marketing. The Company has started a search for a new Chief Financial Officer to strengthen the overall management team and a further announcement will be made in due course.

Jon Kamaluddin stepped down from the Board of ASOS Plc in October 2013 and Peter Williams and Mary Turner stepped down in December 2013. Ian Dyson joined the Board as Senior Independent Non-Executive Director in October 2013, followed by Hilary Riva and Rita Clifton who were appointed as Non-Executive Directors with effect from 1 April 2014.

Year to 31 August 2014 £'000	Group total	UK	US	EU	RoW	International total
Retail sales	955,295	372,241	92,311	256,385	234,358	583,054
Growth	27%	35%	19%	44%	5%	22%
Growth at constant exchange rate	30%	35%	25%	45%	15%	28%
Delivery receipts	15,951	7,412	1,773	3,162	3,604	8,539
Growth	33%	39%	22%	43%	19%	28%
Third-party revenues	4,224	4,224	–	–	–	–
Growth	18%	18%	–	–	–	–
Total revenues	975,470	383,877	94,084	259,547	237,962	591,593
Growth	27%	35%	19%	44%	6%	22%

FINANCIAL REVIEW

Revenue

The Group generated total revenue and retail sales growth of 27% during the year, despite significant lost trade associated with the Barnsley fire in June 2014. This was driven by retail sales growth of 35% in the UK and 22% in our international markets (28% at constant exchange rates), where adverse movements in foreign exchange rates during the year impacted our local currency price competitiveness. As a result, International retail sales now account for 61% of total retail sales (2013: 63%).

Retail sales in the UK increased by 35% as customers continued to respond well to our market-leading proposition in this territory. We retained our first place position for unique visitors to apparel retailers in the 15-34 age range (Comscore, August 2014).

The EU continues to be our fastest growing international segment with retail sales up 44%, following improvements to our delivery options in a number of countries and the introduction of our Premier service in France and Germany. Growth was particularly strong in Germany, where we saw a pleasing response to our targeted local marketing activities and locally relevant payment method offering.

Although impacted by the strengthening of sterling relative to the US dollar during the year, reported US sales grew by 19% following the introduction of our Premier membership scheme in this territory, expansion of our range of locally relevant brands, and a targeted student awareness campaign. On a constant currency basis, retail sales in the US grew by 25%.

Our Rest of World segment was most affected by adverse currency movements, with reported retail sales growth of 5%, increasing to 15% on a constant currency basis. Growth was initially strong in Russia but slowed during the second half, and growth in Australia was impacted throughout the year by adverse local economic conditions, although we comfortably maintained our first place Comscore position in this territory. Our ASOS China operation continues to grow, albeit at a slower rate than initially planned.

Delivery receipts increased by 33% driven by an increase in total orders of 31%, the introduction of minimum delivery thresholds, and increased uptake of our Premier membership scheme.

Third-party revenues, which mainly comprise advertising revenues from the website and the ASOS magazine, increased by 18% as we undertook larger campaigns with our brand partners.

Customer engagement

Despite difficult international trading conditions, our customer engagement metrics continued to improve as we attracted new customers from across the globe, and average basket size, conversion and order frequency are at their highest ever levels.

We now have 8.8m active customers¹, an increase of 25%. Average basket value increased by 3%, driven by an 8% increase in average units per basket as customers responded well to our ongoing proposition improvements, including our free international express delivery offers above a minimum spend threshold. This was partly offset by a 4% decrease in average selling price per unit due to a shift in our branded mix towards lower-priced brands.

Conversion² increased by 20bps and average order frequency increased by 4%, reflecting the compelling nature of our proposition.

	Year to 31 August 2014	Year to 31 August 2013	Change
Active customers ¹ ('000)	8,848	7,078	25%
Average basket value (including VAT)	£62.82	£61.03	3%
Average units per basket	2.66	2.47	8%
Average selling price per unit (including VAT)	£23.64	£24.69	(4%)
Total orders ('000)	25,327	19,372	31%
Total visits ('000)	924,553	768,453	20%

1 As at 31 August, defined as having shopped during the last twelve months.
2 Calculated as total orders divided by total visits.

OUR PERFORMANCE continued

Year to 31 August 2014	Group total	UK	US	EU	RoW	International total
Gross profit (£'000)	485,007	176,024	53,947	133,087	121,949	308,983
Growth	22%	29%	16%	46%	(2%)	18%
Retail gross margin	48.7%	44.2%	56.5%	50.7%	50.5%	51.5%
Growth	(210bps)	(190bps)	(140bps)	70bps	(430bps)	(200bps)
Gross margin	49.7%	45.9%	57.3%	51.3%	51.2%	52.2%
Growth	(210bps)	(190bps)	(140bps)	70bps	(420bps)	(200bps)

Gross profitability

Retail gross margin decreased by 210bps compared with last year, to 48.7% (2013: 50.8%). This was driven by an increase in the mix of UK and EU sales, which generate lower retail margins, and a decline in our full-price sales mix following discounting to offset adverse currency movements. Additionally, disruption following the Barnsley fire led to increased clearance activity. Despite additional discounting, retail margin increased in the EU as customers chose higher margin ranges within our full-price offer. Gross margin (including third-party revenues and delivery receipts) decreased by 210bps to 49.7% (2013: 51.8%).

Operating expenses

This year has been a period of significant investment in our infrastructure and customer proposition ahead of future sales growth. As a result, operating expenses increased by 28% to £441.4m and the operating costs to sales ratio increased by 60bps. This excludes incremental costs incurred as a result of the Barnsley fire, which are netted against the related insurance reimbursements in a separate line item titled 'net other income'.

£'000	Year to 31 August 2014	Year to 31 August 2013	Change
Distribution costs	(147,303)	(115,172)	(28%)
Payroll and staff costs	(82,074)	(75,587)	(9%)
Warehousing	(75,756)	(44,302)	(71%)
Marketing	(56,007)	(40,934)	(37%)
Production	(4,723)	(4,360)	(8%)
Technology costs	(15,136)	(10,225)	(48%)
Other operating costs	(45,051)	(40,061)	(12%)
Depreciation and amortisation	(15,361)	(13,484)	(14%)
Total operating costs	(441,411)	(344,125)	(28%)
Operating cost ratio (% of sales)	45.3%	44.7%	(60bps)

Warehousing costs increased by 200bps to 7.8% of sales as a result of additional running costs at our Barnsley warehouse whilst we carried out infrastructural investments to increase its capacity, as well as investment in our warehouses in Europe, China and the US. We expect this temporary increase in running costs to ease during the new financial year.

Marketing costs increased by 40bps to 5.7% of sales, driven by increased spend on digital marketing activities as we continued to focus on driving awareness and growing our market share in our strategic territories where our customer proposition is more developed.

IT costs increased by 30bps to 1.6% of sales as a result of increased traffic across our expanded range of global platforms.

Distribution costs increased by 10bps to 15.1% of sales despite an increase in total orders of 31% during the year, largely due to the increase in the mix of lower-cost shipments to the UK and EU, as well as negotiation of more favourable rates with certain carriers.

Staff costs decreased by 140bps to 8.4% of sales as the Group's total headcount increase of 34% during the year was partly offset by a reversal of cumulative charges related to share-based payment awards which are no longer expected to vest under the relevant performance conditions.

Other operating costs decreased by 60bps to 4.6% of sales due to a tighter focus on controlling costs related to travel, entertaining and occupancy costs.

We incurred net losses of £8.6m related to our activities in China during the year. The related operating costs are included within total operating costs and largely relate to warehousing and staff costs.

Net other income

The fire in our Barnsley warehouse resulted in extensive stock damage as well as lost trade as our website was taken offline for two days during the recovery process. We have recovered the costs of stock loss and other incremental costs from our insurance providers during the year, along with a portion of business interruption losses. The remainder of the business interruption claim is ongoing.

Studio shoot at ASOS headquarters, London



Insurance reimbursements agreed as at 31 August 2014, including those in respect of business interruption losses, are included within a separate line item titled 'net other income', net of related stock loss and other incremental costs incurred. Net other income for the year to 31 August 2014 is composed as follows:

£'000	Year to 31 August 2014
Stock loss and other incremental costs	(8,486)
Insurance reimbursements	11,536
Total	3,050

Income statement

The Group generated profit before tax of £46.9m, down 14% on last year (2013: £54.7m) due to the decline in gross margin as a result of challenging trading conditions, plus additional operating expenses related to investments in our warehousing infrastructure and in our China operation.

£'000	Year to 31 August 2014	Year to 31 August 2013	Change
Revenue	975,470	769,396	27%
Cost of sales	(490,463)	(370,816)	
Gross profit	485,007	398,580	22%
Distribution expenses	(147,303)	(115,172)	(28%)
Administrative expenses	(294,108)	(228,953)	(28%)
Net other income	3,050	-	
Operating profit	46,646	54,455	(14%)
Net finance income	255	215	
Profit before tax	46,901	54,670	(14%)
Income tax expense	(10,313)	(13,744)	
Profit after tax	36,588	40,926	(11%)

Taxation

The effective tax rate decreased by 310bps to 22.0% (2013: 25.1%), principally due to a reduction in the prevailing rate of UK corporation tax and reversal of permanently disallowable charges in respect of the ASOS Long-Term Incentive Plan. Going forward, we expect the effective tax rate to be approximately 100bps higher than the prevailing rate of UK corporation tax due to permanently disallowable items.

Earnings per share

Basic earnings per share decreased by 11% to 44.6p (2013: 50.1p) and diluted earnings per share decreased by 10% to 44.5p (2013: 49.2p), both driven by the decline in profit after tax during the year.

Statement of financial position

The Group continues to enjoy a robust financial position including a strong cash balance. Net assets increased by £33.2m to £193.0m during the year (2013: £159.8m), driven by the Group's profit after tax generated during the year. The Group's cash position increased by £3.2m to £74.3m (2013: £71.1m).

The summary statement of financial position is shown below.

£'000	At 31 August 2014	At 31 August 2013
Goodwill and other intangible assets	63,901	39,686
Property, plant and equipment	55,400	30,031
Deferred tax asset	-	8,902
Non-current assets	119,301	78,619
Stock	161,480	143,348
Net current payables	(165,154)	(131,091)
Cash and cash equivalents	74,340	71,139
Derivative financial assets	2,240	225
Current tax asset/(liability)	2,217	(2,441)
Deferred tax liability	(1,393)	-
Net assets	193,031	159,799

Autumn/winter press day at ASOS headquarters, London



Statement of cash flows

The Group's cash balance increased by £3.2m to £74.3m (2013: £71.1m) as working capital improvements ensured capital expenditure of £62.4m was exceeded by the cash inflow from operating profit. The Group had no bank borrowings at either reporting date. The summary statement of cash flows is shown below.

£'000	Year to 31 August 2014	Year to 31 August 2013
Operating profit	46,646	54,455
Depreciation and amortisation	15,361	13,484
Losses on disposal of assets	150	298
Working capital	13,326	5,391
Share-based payments (credit)/charge	(2,813)	4,005
Other non-cash items	(297)	(104)
Tax paid	(3,714)	(3,353)
Cash inflow from operating activities	68,659	74,176
Capital expenditure	(62,377)	(31,328)
Proceeds from issue of ordinary shares	563	299
Net cash (outflow)/inflow relating to Employee Benefit Trust	(3,914)	160
Acquisition of subsidiary	182	36
Net finance income received/(paid)	231	(88)
Total cash inflow	3,344	43,255
Opening cash and cash equivalents	71,139	27,884
Effect of exchange rates on cash and cash equivalents	(143)	-
Closing cash and cash equivalents	74,340	71,139

Total cash inflow for the year decreased by £39.9m, principally due to an increase of £31.0m in capital expenditure following investments in our warehousing and IT infrastructure, plus a reduction in EBITDA of £5.9m. The working capital inflow increased by £7.9m as a result of our tightly-managed closing stock balance as well as a focus on compliance with our standard supplier payment terms.

Fixed asset additions

£'000	Year to August 2014	Year to August 2013
IT	31,317	21,337
Office fixtures and fit-out	1,218	3,842
Warehouse	32,066	7,791
Total	64,601	32,970

We accelerated our investments in our warehousing and IT infrastructure during the year to support our long-term future growth beyond sales of £1bn. The majority of our warehousing spend related to increasing capacity and capability in our Barnsley warehouse, including extending this facility and building our mechanised picking solution. We also continued our behind-the-scenes journey from our legacy platforms to a new truly global and scalable platform.

OUTLOOK

Despite a difficult international trading climate during the year, and alongside accelerated investment in infrastructure, we have driven sales growth in all territories and continued improvements in customer engagement. During the year ahead, we intend to make significant investments in our international pricing and proposition, as well as continuing to invest in our logistics infrastructure and technology platforms. We therefore expect profit for the next financial year to be similar to this year, with the new financial year representing a continuation of our medium-term build phase, to provide the platform to reach our next staging post of £2.5bn sales.

Nick Robertson
Chief Executive Officer

Nick Beighton
Chief Financial Officer

Risk management is critical to the achievement of our strategic objectives and to the long-term growth of our business. ASOS has developed a risk management process that applies to every part of the Group. It enables us to determine what our key risks are and manage them appropriately. These include social, environmental and ethical risks.

HOW WE MANAGE RISK

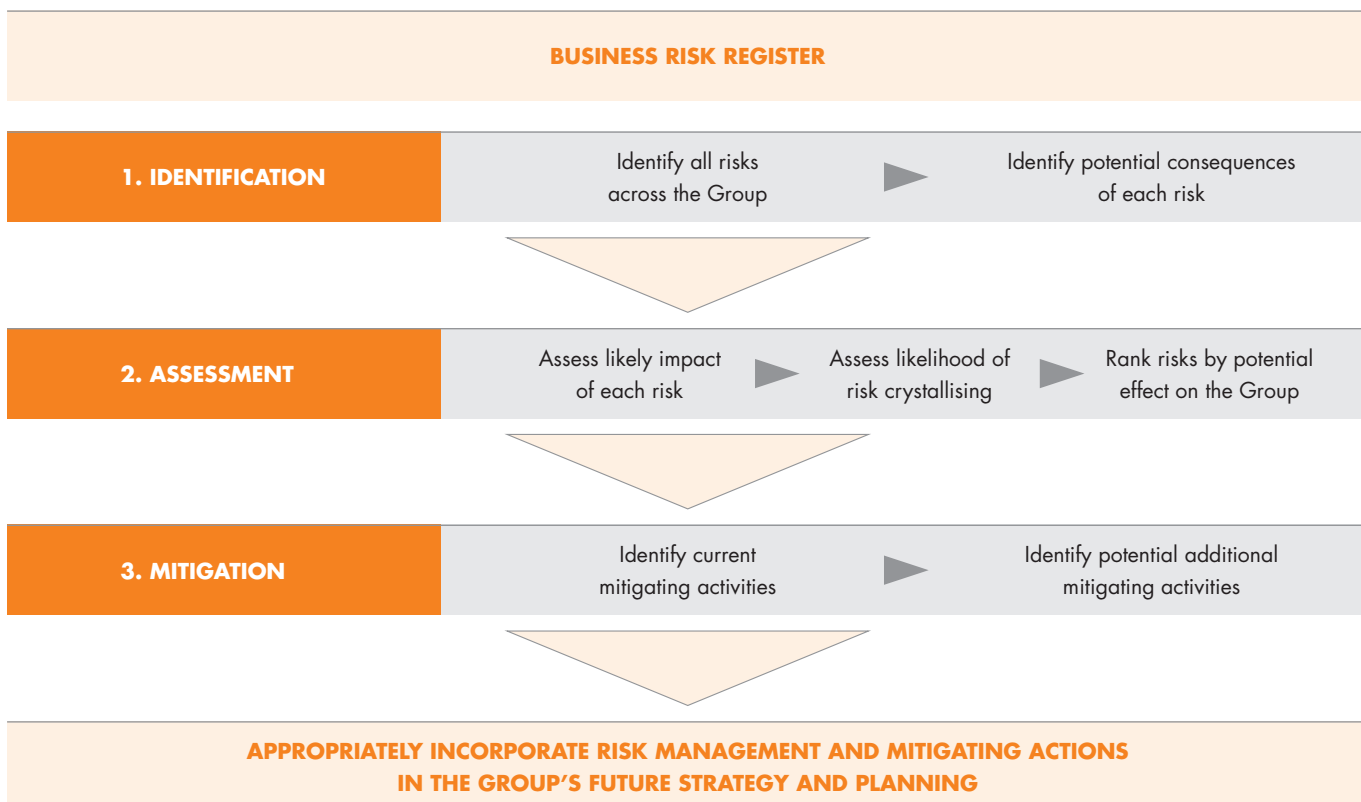
ASOS recognises that risk is an inherent part of realising reward, and our process is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has overall responsibility for risk management and for reviewing the effectiveness of our process for managing risk; responsibility for reviewing specific risk controls is delegated to the Audit Committee. The Executive Board and management are responsible for implementing processes to put the Board’s policies on risk and control into effect, and for providing assurance on compliance with these policies and processes.

The General Counsel & Company Secretary is responsible for the day-to-day operation of the Group risk management process. The framework for this process is the Business Risk Register, through which we consolidate risk information and determine our strategy for risk management. The Register is reviewed regularly by both the Executive Board and the Audit Committee.

PRINCIPAL RISKS AND UNCERTAINTIES

In its most recent review of the Business Risk Register, the Board identified the risks set out in the table on the next three pages as being the current major potential risks to the successful performance of the business. We also recognise that risks change constantly and there may be other, as yet unidentified risks, or others currently deemed immaterial, that could have an impact on our ability to achieve our objectives.



RISK

MITIGATING ACTIVITIES

MARKET RISKS

Marketing strategy

We must ensure that our marketing is aligned to the needs and wants of our target customers. A misplaced marketing strategy could reduce customer engagement and damage the ASOS brand.

- Developing a single marketing strategy which is implemented across the Group.

Market position and 'fashionability'

The retail fashion industry and market are subject to changing customer tastes. Our performance depends on our ability to predict and respond quickly to changing consumer demands, and to translate market trends into saleable merchandise.

- A proactive approach to monitoring consumer trends including regular attendance at all major fashion weeks, catwalk shows and festivals, trips to fashion cities, signing up to blogs.
- Ensuring we offer a well-balanced, diverse product range to meet the demands of different customers.
- Employing experienced buyers and designers, and developing a pipeline of up and coming talented individuals with the ASOS Retail Brilliance Scheme, a technical skills training programme hosted internally for members of the retail teams.
- Use of freelance fashion experts to refresh internal knowledge.
- Regular review of product design and selection by senior members of the retail teams.

Product demand and supply forecasting

To meet customer demand, we need to have made an accurate forecast of the likely level of demand and have ordered sufficient levels of product to meet it. An inaccurate forecast will affect the efficiency and effectiveness of our retail operations.

- Ensuring there is adequate stock available at the right time to meet customer demand.
- Continued investment in merchandising expertise and capacity.
- Close levels of co-operation and understanding of the relationships between the buying teams and the merchandising teams for each category and department.

FINANCIAL RISKS

Foreign exchange movement

We are a UK-based global retailer and sell products to customers across the world in eight different currencies, while recognising our revenues in pounds sterling. The Group therefore has potential exposure to changes in interest and foreign exchange rates.

- Our treasury department takes responsibility for reducing exposure to this and other financial risks to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.
- Further information on the Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risk can be found in Note 21 to the financial statements.

RISK

MITIGATING ACTIVITIES

TECHNOLOGICAL RISKS

Robustness and sufficiency of IT systems and infrastructure

As an online retailer, the Group is particularly dependent on its IT infrastructure and any system performance issues or shortcomings (for example system, software or infrastructure failure, damage or denial of access) could cause serious business interruption.

- Ongoing investment in IT systems, infrastructure and security to ensure that they are sufficient for the needs of the business and do not become obsolete or compromised.
- Back-up facilities in place to ensure that business interruptions are minimised and internal and customer data is protected from corruption or unauthorised use.
- Business recovery plans in place to minimise the effects of damage or denial of access to infrastructure or systems.

User experience and technological innovations

Internet retailing is based on rapidly changing technologies, applications and other 'user experience' touch points. Failure to adopt developments in this area, resulting in an inadequate user experience for our target customers, could have a negative impact on the Group's performance.

- Dedicated teams to collect and analyse data from customer spend and site usage habits to establish important trends.
- Ensuring we are aware of general market developments and innovations in all areas relating to our core online retail business; adopting those that are appropriate for ASOS by enhancing our website – thus heightening our appeal to our target market.

SUPPLY CHAIN RISKS

Logistics and fulfilment

ASOS delivers to 240 countries and territories, and has agreements with several logistics providers to fulfil deliveries to customers. The interruption, deterioration or loss of delivery services from these suppliers to the Group's warehouse may affect our ability to complete sales.

- ASOS has multiple delivery routes and options and uses multiple delivery service providers to reduce dependency on any one provider.

Warehouse disruption

Any disruption to the Group's warehousing facilities due to physical property damage, breakdown in warehouse systems, capacity shortages or poor logistics management could have a detrimental effect on our ability to complete customers' orders.

- Several warehouses in different countries, which are managed by a large multi-national company specialising in the provision of these services.
- Continuous monitoring of service levels and warehouse handling to ensure goods are handled, packed and delivered in a timely manner.
- Sufficient warehouse capacity to accommodate expected future growth in order volumes.
- Business recovery plans in place to minimise effects of any material disruption within any of our warehouses.
- All products are on relatively short lead-times, with a steady flow of products into the warehouse, enabling the supply chain to be diverted to alternative locations if necessary within a manageable timeframe.

RISK

MITIGATING ACTIVITIES

REPUTATIONAL RISKS

Brand name

Internet-only businesses depend on their brand name. Failure to support online domain names, given that they are the ASOS 'shop window' and so the primary mechanism by which customers purchase our products, could have a detrimental effect on the Group's performance.

- The Company was first to use the ASOS brand name both for online retailing and on clothing labels.
- Robust strategy for actively pursuing and defending the ASOS brand name and all supporting domain names and other intellectual property, in all key markets in all relevant classes.
- Experienced team of intellectual property legal experts engaged to carry out the strategy, and manage the ASOS trade mark and domain name portfolios, including a new Senior Brand & IP Manager who joined during this financial year.

Security of customer data

As an online retailer, ASOS needs to gather and use customers' personal data in order to process orders and carry on its business. Unauthorised access to our customer data could lead to reputational damage, compliance issues and a loss of customer confidence.

- Controls and processes in place, both within the website and with our key service partners, to ensure that all handling and use of customer data is appropriate and compliant with all applicable laws and customer expectations.
- Technical and physical security controls in place to mitigate unauthorised access to customer data held on the Group's servers, including access restrictions and encryption of customer credit card data.
- An alert system in place in case of attempted unauthorised access.
- ASOS employs a team of IT Security Officers dedicated to considering and mitigating IT security violations.

PEOPLE RISKS

Reliance on key personnel

The retail sector is very competitive and our people are frequently targeted by other companies for recruitment. Our performance depends on our ability to attract, motivate and retain key staff.

- The Remuneration Committee monitors the structure and levels of remuneration for senior management and seeks to ensure that as a whole, remuneration is designed to attract, retain and motivate senior management to run the Group successfully.
- All employees are provided with the opportunity to have fulfilling careers through employment policies, competitive remuneration and benefits packages, and career development opportunities.

CHANGES IN OUR RISK PROFILE

Our risk profile changes constantly, and during the year we removed the following risks from our Business Risk Register as they are no longer considered to have a significant impact on the Group:

- **Economic outlook:** the economic outlook will always remain a risk in the environment which ASOS operates in, and will always be in the forefront of our business decision making process; it therefore does not need to be singled out as a specific business risk.
- **Competition:** competition is inherent to all businesses, but our stated ambition is to be the no.1 fashion destination for 20-somethings across the globe. We are comfortable that our current positioning vis a vis our competitors is satisfactory.
- **Over-reliance on one category/department:** taking advantage of one of the structural benefits of being an online retailer, ASOS offers a wide variety of products, and we have grown that range consistently over the last year. This diversity dilutes the possibility of being over-reliant on one category.
- **Key suppliers:** with the appointment of a Sourcing Director in 2013, we have strengthened our relationship with existing suppliers and sourced alternative suppliers, thereby reducing our reliance on a small number of key suppliers.
- **Quality of customer service:** the customer care team continues to win awards, and we therefore have no concerns about the quality of our customer service.
- **Regulatory compliance:** complying with all applicable laws and regulations will always be a priority for ASOS. However, given that the Company does not operate in a particularly heavily regulated sector and in light of the launch during the year of 'Do The Right Thing', our new Code of Integrity, we do not currently see regulatory compliance as a particularly high risk.



Fashion with Integrity

Our corporate responsibility programme, 'Fashion with Integrity', defines our approach to business. For ASOS, 'Fashion with Integrity' means managing all aspects of our business transparently, so that our customers can enjoy their fashion in the knowledge that, when buying our products, they are buying from a responsible company that is actively working to minimise the negative effects of the fashion industry on people, animals and the environment.



HIGHLIGHTS OF THE YEAR

- **Launched our new Ethical Trade programme**
- **Used the Sustainable Clothing Action Plan (SCAP) footprinting tool to assess the environmental impacts of the materials in our UK product ranges**
- **Revised our Animal Welfare Policy and Guidelines again to take into account best practice developments in animal welfare**
- **Developed 'Retail Brilliance', a training academy for buyers and merchandisers, which includes modules on corporate responsibility**
- **Launched 'Do the Right Thing', our new Code of Integrity, which encourages everyone associated with ASOS – employees, contractors or suppliers – to act with integrity and behave ethically in everything they do**
- **Extended our Barnsley warehouse by over 25%, making our operations more efficient and saving 250 tonnes of carbon as a result**
- **Further developed 'Project Pipeline', including a water catchment programme in rural Kenya, providing drinking water for 7,000 local people**
- **Kicked off our 'Give A Week Away' programme enabling a team of employees to volunteer at one of the Udayan Care homes in India that we support**
- **Launched 'The Big Challenge' to try to raise £150k in twelve months to build and support a new Udayan Care home in India**

“As our global brand continues to grow at pace we are making a greater mark on the world. This brings greater responsibilities, but also the resources and influence to bring about lasting change. I am very excited about the potential we have to contribute to finding solutions to our most pressing sustainability challenges.”

Nick Robertson, Chief Executive Officer

Our corporate responsibility strategy

‘Fashion with Integrity’ comprises four pillars: Ethical Trade, Sustainable Fashion, Sustainable Business and Community. Together they help support and deliver our wider business vision.



INTERVIEW WITH LOUISE MCCABE, HEAD OF CORPORATE RESPONSIBILITY



What stood out for you in 2014?

I’m proud of our work on animal welfare. We’ve been quietly improving our standards for a number of years which enabled us to respond quickly and take a decisive stance to ban angora when PETA’s angora investigation broke. Since then we’ve revised our animal welfare policy, and will be eliminating feathers and down from ASOS own-label ranges from this autumn, and providing further guidelines to help buyers and suppliers comply with our policies.

Having the Ethical Trade management team firmly embedded in our new Sourcing department is a real step forward. It now sits in the heart of the retail business and can be more influential in delivering our long term Ethical Trade strategy.

I’m really proud of getting the ASOS Foundation established as an independent charity with a clear mission that the whole company has embraced. Launching ‘The Big Challenge’ and watching all areas of the business respond to that fundraising target has been really heartening as well.

I love ‘Project Pipeline’ in Kenya, and have had the privilege of visiting our colleagues in the Kasigau corridor and working directly with the community, the schools and the Stitching Academy that we are supporting there. I particularly enjoyed standing on the completed water catchment and hearing first hand from local people what a difference it has made to them.

What about some of the challenges?

In a fast growing company it can be challenging to make the kind of quick improvements on product sustainability that we would like. However, this year we completed an impact assessment on our product materials. We have just joined the ‘Better Cotton Initiative’ and I’m looking forward to bringing more sustainable cotton fabrics into our ranges next year.

Ethical trade

We are committed to being a responsible retailer, where every worker in our supply chain is respected and protected. This year, we launched a new Ethical Trade programme, based on three key pillars; people, practices and partners.

People

Given the length, reach and complexity of modern supply chains in the fashion industry, garment workers around the world continue to be vulnerable, not least in terms of their access to functioning, effective representation, health and safety standards in their workplaces and wages. We want to see a world in which people are safe at work, respected by their managers, and more financially secure.

We work closely with our suppliers in key sourcing regions to increase their knowledge and commitment to improving labour conditions for their employees. Alongside this ongoing work, we have developed four specific projects aimed at improving working conditions:

- **Factory health and safety:** working with suppliers to ensure that by 2016 no factories in our supply chain fail to meet our health and safety standards when our local audit teams inspect them
- **Dialogue with managers:** pilot training projects in five key factories by 2017 to implement more effective worker/management dialogue
- **Living wage:** pilot living wage projects in three key factories by 2017
- **Financial support:** increasing Indian workers' access to banking services through Geosansar, a personal banking financial services provider.

Practices

Our sourcing practices have a direct impact on workers and must therefore support what we want to achieve regarding the workers in our supply chain. We have therefore developed our own sourcing standards, practices and policies which set out how we work, what we expect from those we work with, and how we will help those suppliers improve where needed.

This year, we have changed both how we manage ethical trade and how we oversee sourcing practices. We have developed a new Sourcing Department that works with all our suppliers and their factories, as well as our local audit teams, to ensure that responsible, efficient sourcing is a central part of our long-term commercial growth. The Sourcing Department reviews our sourcing practices regularly to ensure they support what we are trying to achieve. The previously separate Ethical Trade team is a core part of that new Sourcing Department, to ensure that ethical trading principles are embedded into our commercial practices and supply chain decisions.

Partners

Suppliers are central to our programme. We can only achieve our Ethical Trade vision if we work together, striving for both commercial and ethical excellence. However, suppliers can often face conflicting pressures and barriers to being able to share our vision. We want to remove these obstacles. Ultimately, we want our suppliers to be fully on board with our ethical trade vision, and to work with us to improve conditions for the 79,000 workers throughout our supply chain and to ensure their own supply chains adhere to our standards.

We look to do that by working with our suppliers to identify their strengths and weaknesses, so we can then help them reach the standards needed to grow commercially with ASOS. We will also deliver targeted training for all suppliers on our ethical trade requirements.

PERFORMANCE

- Launched our new Ethical Trade programme
- Visited 337 manufacturer sites to monitor working conditions and to support them in meeting our standards
- Developed an ethical purchasing practices module for our new 'Retail Brilliance' academy for buyers and merchandisers
- Set up four projects aimed at improving workers' welfare

Sustainable fashion



ASOS Africa signpost

Social and environmental responsibility has a big part to play in the fabrics we use. One of the main areas we focus on is animal welfare. Where animal materials are used in our products, we require suppliers to implement industry-recognised best practice to safeguard the animals' welfare throughout rearing, transportation and slaughter. We have also banned all fur and skins from exotic or wild animals, as well as products tested on animals. We regularly revise our animal welfare programme to bring it in line with industry best practice, and we educate our buyers, suppliers and customers to ensure they buy only the right products.

We are also aware that all fabrics have their own environmental impacts, resource intensities, and water, carbon and waste footprints. We are always on the lookout for how we can use more sustainable alternatives in our own-label ranges. We are also conscious that the manufacture of clothing involves a number of chemicals, which can prove harmful to the environment if not properly controlled.

Promoting sustainable fashion internally

Our teams have access to the following sustainable fashion resources and training, to help them consider sustainability issues when designing or sourcing products:

- **Sustainable sourcing training:** as part of our 'Retail Brilliance' academy for buyers and merchandisers, we look to inspire our teams to boost the sustainable fashion credentials of our own-label clothing, as well as keeping them updated on industry developments
- **Sustainable materials library:** since 2010 we have been building our library of sustainable materials to help buying and design teams select the most sustainable materials for their upcoming ranges.

Helping customers discover sustainable fashion

To help us champion sustainable fashion amongst our customers, we have created:

- **The Green Room:** launched in 2010, which is a section of our website where our Womenswear customers can find out about and buy sustainable fashion and beauty products
- **Signposts:** which are tagged to all products on our site that have a social or environmental benefit, to help our customers identify sustainable products
- **ASOS Marketplace:** a platform to bring vintage and pre-worn items to our customers, thereby extending the lives of those items.

PERFORMANCE

- Created the role of Fabric Manager to provide advice on how to source materials and products more sustainably
- Used the Sustainable Clothing Action Plan (SCAP) lifecycle analysis tool to measure the environmental impacts of the materials in our own-label products manufactured in the UK, so that we can explore replacing them with more sustainable alternatives
- Defined a sustainable cotton strategy for our own-label products – cotton being one of the most natural resource-intensive materials we use
- Developed a product sustainability module for our new 'Retail Brilliance' academy for buyers and merchandisers
- Stopped selling angora products from January 2014, following an exposure of cruel practices associated with angora rabbit farming
- Revised our Animal Welfare Policy and Guidelines again in 2014 to reflect developments in animal welfare best practice



Sustainable business

We believe in growing our company in a sustainable way, adding social value and minimising environmental impacts, while ensuring our long-term commercial viability. We focus on three areas in particular:

- **The environment:** we aim to make our operations and use of resources as efficient as possible, so that waste and emissions from those operations are controlled.
- **Our customers:** we respect our customers and want them to feel good about fashion and about themselves, by promoting healthy, positive body images and by providing our customers with the best products, clear information and outstanding service.
- **Our people:** we want ASOS to be a fast-paced, diverse and inspiring place for people to work, to ensure we are able to attract the best talent available in all areas of our business.

PERFORMANCE

Environment

- Built two new warehouses in Poland and Germany – our ‘Eurohub’ – to cut down on stock and vehicle movements across Europe
- Extended our Barnsley warehouse by over 25% reducing the number of miles our vehicles travel by 200,000 per year, saving 250 tonnes of carbon

Customers

- Hosted an industry debate on fashion and body image at our London headquarters in September 2013
- Started working with anti-bullying charity, The Diana Award, recognising that online activities are having a huge impact in this area
- We answered 3.4m emails and 1.1m social media queries from our customers
- Our profit protection team identified an estimated £9.5m of fraudulent transactions that could otherwise have resulted in fraudulent use of a customer’s credit card and lost stock for ASOS

People

- Launched ‘Do the Right Thing’, our new Code of Integrity, which encourages everyone associated with ASOS to act with integrity and behave ethically in everything they do

Pattern cutting room at ASOS headquarters, London



ENVIRONMENT

As an online business, ASOS does not have any bricks and mortar stores in any country. But, we do ship our products to 240 countries and territories, predominantly from our warehouse in the UK, and we have offices in the UK and in Berlin, Lille, New York, Shanghai and Sydney. Our biggest environmental impacts from those activities are the carbon emissions resulting from customer deliveries, the running of our buildings, and packaging and waste.

ASOS continues to grow rapidly, particularly in international markets. As a result, our total carbon footprint is inevitably increasing. It is therefore more important than ever that we identify and implement systems that will improve the environmental efficiency of our activities, so that our relative impact will improve as ASOS continues to grow.

Carbon footprint

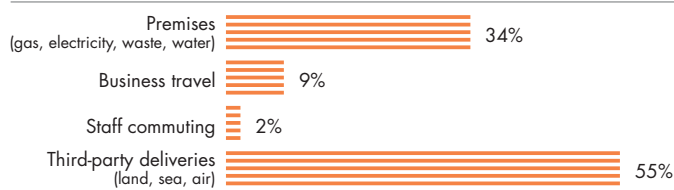
Due to the complexity involved in gathering the relevant data, at the time of this report we are only able to report emissions data a year behind. For the year ending 31 August 2013, our total carbon footprint more than doubled to 42,914 tonnes CO₂. Customer delivery emissions make up 55% of our overall carbon emissions, with air freight accounting for 97% of that figure.

We now take environmental criteria into account when selecting our carriers. We have extended the size of our Barnsley warehouse by over 25%, which means we can now hold more stock in our main warehouse, reducing the amount of stock we need to hold offsite and the number of miles our vehicles travel by 200,000 per year, saving 250 tonnes of carbon. Recent investment in two new warehouses in Poland and Germany (our ‘Eurohub’) has also helped us to cut down on stock and vehicle movements across Europe, contributing to our efforts to reduce emissions.

"We are working hard to reduce emissions from customer deliveries. New carriers are selected based on their environmental credentials. For example we now use DHL, which, as part of its Go Green programme, is committed to using more renewable energy; and UPS, which planted 1.3 million trees between 2011 and 2013, and has pledged to plant another million by the end of 2014."

Matt Rogers, Director of Delivery Solutions and Inbound Supply Chain

Greenhouse gas emissions by source



Energy efficiency

Our buildings generate approximately 34% of our carbon footprint but we are increasingly focusing on finding ways to improve our environmental efficiency in this area. For example, we purchase energy using a green energy tariff, and we have installed more efficient lighting systems in our buildings (including LED sensors rated 'excellent' by BREEAM in our Barnsley warehouse). We are currently reviewing the feasibility of achieving ISO14001 environmental management certification at all of our offices.

Packaging

During the year we carried out a detailed review of our packaging to identify ways to reduce packaging volumes and limit the amount of ink used (to maximise recyclability), while still ensuring our products are delivered in the right condition. We brought our UK packaging standards in line with our international standards, increasing the number of product categories that can be sent in a bag rather than a box, which has enabled us to fit more parcels onto vehicles.

CUSTOMERS

As they are for any business, customers are the lifeblood of ASOS, and we now have some 8.8m in 240 different countries and territories. Most of them are in their twenties and we want them all to feel good about fashion and about themselves.

Positive body image

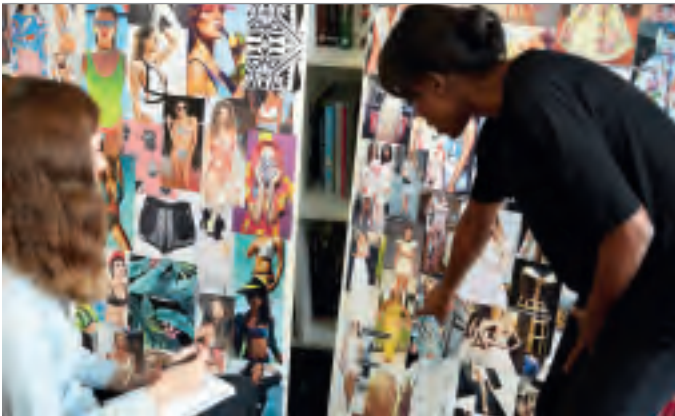
We want to use our influence among young fashion-lovers to promote more responsible and healthy body images than are often seen in our industry. To this end we:

- Create clothing ranges and a website that celebrate and promote the diversity of our customers
- Participate in government advisory panels to tackle body confidence issues
- Bring in experts to train our employees on body image and health issues
- Have a Model Welfare policy and guidelines on digital manipulation to protect our models and customers
- Enable customers to post images of themselves wearing the clothes they have bought, through our #AsSeenOnMe feature
- Run feature articles on diverse and inspirational young women in our ASOS magazine, focusing on achievements not looks
- Work with anti-bullying charity, The Diana Award, recognising that online channels and activities are having a huge impact in the area of bullying
- Recently shortlisted for the British Plus Size Awards and the Body Confidence awards for our ASOS Curve range.

Customer care

We want to make sure customers have an authentic, honest and helpful experience whenever they engage with us, including providing all the information they need. This year we handled 3.4m individual email 'contacts' and 1.1m social contacts with customers, as well as 36,000 Live Chats with our US and German customers. We also invested in more advanced technology to give customers instant help online – we can now speak to them in real time in most languages via any device.

ASOS own-label designers work on upcoming trends



ASOS production team edit catwalk videos



In August 2014, 82.5% of our customers who visited our new Help pages found the answer to their questions without having to get in touch with our customer care team – this means our customers can get on with their shopping leaving us more time to help those with more complicated enquiries.

Protection from fraud and data security measures are some of the most important services we provide for our customers. We use an automatic anti-fraud system that reviews every order and selects 3% for manual review by the Profit Protection Team, who work 24 hours a day, seven days a week to ensure threats are mitigated as efficiently and effectively as possible. This year, our profit protection measures prevented £9.5m of fraud on 57,251 orders. We also have technical and physical security controls to prevent unauthorised access to customer data, including access restrictions, encryption of certain customer data, and alert systems.

PEOPLE

At ASOS, we want the best talent available in all areas of our business with the right skills to thrive in our fast-paced environment and to drive ASOS forward. To achieve that, we offer an inspiring place for people to work.

As at 31 August 2014, we employed 1,813 people, including 1,752 full-time and 61 part-time employees. Our UK employees are based at three sites: our headquarters in Camden, north London, our customer care site in Hemel Hempstead and the Custard Factory in Birmingham. We also have marketing teams based in France, Germany, the US and Australia, whilst our newest operation is based in Shanghai, China.

To support our operations, we have around 2,000 people at our Barnsley warehouse and around 150 international customer care positions in Belfast, all employed through outsourced partners.

All our employees and third-party workers are central to the Group's success. We communicate regularly with employees about the company's performance and objectives, and we encourage employees to contribute their own ideas.

We expect all our employees and third-party workers to act with integrity and behave ethically in everything they do. To reinforce everyone's understanding of that, this year we launched 'Do the Right Thing', our new Code of Integrity, to everyone associated with ASOS – employees, contractors and suppliers.

Safety

Our employees and people working on behalf of ASOS are entitled to work in a safe environment. We carry out health and safety risk assessments regularly and review our Safety policy frequently. In this financial year, we had no reportable work-related incidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR) (2013: none). We will be rolling out our latest safety policy, 'Be Smart', in autumn 2014.

Equal opportunities

To reflect our customer base, ASOS is committed to encouraging diversity and ensuring that discrimination has no place in our business. We want each employee to feel respected and able to perform to the best of his or her ability. ASOS will not make assumptions about a person's ability to carry out his or her duties based on ethnic origin, gender, sexual orientation, marital status, religion or other philosophical beliefs, age or disability. Should an employee develop a long-term health concern or disability, we do our best to support him or her to return to work.

We are particularly keen to ensure that women have the same opportunities as men to have fulfilling careers and rise to the top of the business. Of the seven members of our Board, three (43%) are women and four (57%) are men. Across the business 68% of full-time employees are women and 32% are men, whilst 97% of part-time employees are women and 3% are men.

Hiring, retaining and developing the best talent

We focus on hiring, retaining and developing the best talent to deliver our goal of being the no.1 fashion destination for 20-somethings globally. During the last financial year, we have focused on our Retail, International, Customer Experience and Technology departments, increasing the team by 461 during the period. This included strengthening our senior team with the appointments of a new People Director, Customer Care Director, Director of Brand and Campaigns, Head of Talent and Development and Senior IP & Brand Manager. Employee turnover has continued to reduce with a 4% drop during the year.

We work hard to grow and keep our people by offering opportunities that match both their professional and personal aspirations. Beginning with an in-depth induction programme, we equip new employees with everything they need to know to be effective in their roles quickly. We then focus on enabling all employees to develop within their roles through 'The Collection', our suite of learning and development courses. Training on compliance, business essentials and soft skills is predominantly designed and delivered in-house, to ensure that it is tailored to our specific requirements.

We also believe in encouraging our employees to be more involved with the community, and provide various opportunities for them to do so (see Community section below and overleaf). As well as being good things to do in their own right, this kind of voluntary participation helps people feel more connected to ASOS and happier in their jobs.

'Give A Week Away' programme



The ASOS team with the children at the Udayan Care home



Building on our existing support for Udayan Care, which runs care homes for orphaned or abandoned children in India, in January 2014 we launched 'Give A Week Away'. This programme gives an additional week off to employees to travel to India to refurbish one of the homes that we support, in return for raising a minimum of £500 for the ASOS Foundation. During the week, the ASOS team transformed two family rooms, and also ran workshops for the children making music, baking, Bollywood dancing, designing and making bags, and customising T-shirts. We also held a Sports Day.

"My experience at Udayan Care has truly been amazing! I have learnt so much in only 10 days and the entire experience has inspired me to continue working with local communities to really make a difference."

Shyam Pattni, ASOS technology team



Community

With great support from the ASOS Foundation¹, our community activities are aimed at creating opportunities to help local young people to achieve their potential. In some cases this means helping them to overcome some fundamental barriers first, such as homelessness, lack of basic amenities and social exclusion. We focus our efforts in three countries – the UK (where we are based), India (where a number of our retail and IT suppliers are based), and Kenya (where the ASOS Africa range is manufactured), and work with long-term charitable partners who help us tailor our programmes to the needs of the young people in each place.

PERFORMANCE

UK

- Supported 106 unemployed people in qualifying at the UK Stitching Academy, of whom 53% moved on to secure employment or further education
- Expanded our Prince's Trust 'Get Started' courses to include digital and fashion skills training across our UK sites

Kenya – 'Project Pipeline'

- Completed our rural water catchment programme and handed it over to the local community, providing drinking water for 7,000 local people, and enabling women in particular to minimise the time spent fetching water, freeing up time to learn new skills
- Launched Stitching Academy Kenya (see case study)

India – Udayan Care

- Expanded our volunteer programme to include 'Give A Week Away' (see case study on page 27)
- Launched 'The Big Challenge' to try to raise £150k in twelve months to build and support a new Udayan Care home

EMPLOYMENT INVOLVEMENT

We are particularly proud of the selfless way so many of our employees get involved in our community programme, and we offer them a number of avenues to do that:

- **Workplace giving:** making regular donations from their pay to charity (including to ASOS Foundation if they wish)
- **'Give a Day/Week Away'** scheme: donating time and expertise to our community programme partners or to employees' favourite charity or community group
- **ASOS Active:** taking part in sponsored fundraising sporting challenges – or just sponsoring the active ones!
- **ASOS Engage:** fundraising events, such as bake sales and quiz nights, organised by employees.

Stitching Academy Kenya



ASOS management attend the Stitching Academy launch party

In June 2014, the ASOS Foundation and SOKO, the Kenyan manufacturer of the 'ASOS Africa' range, partnered to launch the Stitching Academy Kenya. Two-month courses provide local people with a tailoring qualification that will enable them to seek employment with local garment manufacturers, such as SOKO, or others operating within the government-run Export Processing Zones (EPZs). Students are taught how to use electric sewing machines and overlockers, and how to develop advanced quality control skills. So far, ten tailors have graduated from the course, and the Academy plans to run four courses a year.

¹ During 2014, the ASOS Foundation changed its legal status. Previously a charitable trust under the Charities Aid Foundation, ASOS Foundation is now a company limited by guarantee and registered with the Charity Commission (Charity number 1153946).

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BOARD OF DIRECTORS



Brian McBride
Chairman

Brian joined ASOS Plc from Amazon.co.uk where he was Managing Director from 2006 to 2011. He was appointed Chairman of ASOS Plc on 1 November 2012. He is Senior Non-Executive Director at both AO.com and Computacenter Plc. Brian is also Senior Adviser at Scottish Equity Partners. He is a member of the Court (Governing Body) of the University of Glasgow, and is a member of the UK Government's digital advisory board, which is helping deliver government services digitally to Britain.



Nick Robertson
Chief Executive Officer

Nick co-founded ASOS.com in 2000. His career began in 1987 at the advertising agency Young & Rubicam. In 1991 he moved to Carat, the UK's largest media planning and buying agency. In 1995 he co-founded Entertainment Marketing Limited, a marketing services business. Nick was awarded an OBE in 2011 for his achievements in the world of fashion retailing.



Nick Beighton
Chief Financial Officer

Nick qualified as a chartered accountant with KPMG, working first in transaction services and then within the Strategic Business Management Group. Nick moved to Matalan Plc in 1999 to work as Head of Finance, becoming the Business Change and IT Director before joining Matalan's Retail Board in 2003. Nick then joined Luminar Plc as Finance Director in August 2005, before being appointed Finance Director of ASOS Plc in April 2009. Nick now holds the title of Chief Financial Officer and, in addition to finance, has executive responsibility for supply chain, IT, legal and procurement.



Ian Dyson
Senior Independent
Non-Executive Director

Ian joined the Board in October 2013 as Senior Independent Non-Executive Director and Chairman of the Audit Committee. Ian has more than a decade's experience in the public market arena and has held both executive and non-executive directorships at FTSE100 and FTSE250 companies. He was Group Finance and Operations Director of Marks & Spencer Plc from 2005 to 2010, before becoming Chief Executive of Punch Taverns Plc in 2010. Prior to that, Ian was Group Finance Director of Rank Group Plc. Ian is currently a Senior Independent Director and Chairman of the Audit Committee at Belfair Plc, a Non-Executive Director of Punch Taverns Plc, a Non-Executive Director and Chairman of the Audit Committee at Intercontinental Hotels Group Plc, and a Non-Executive Director and Chair of the Audit Committee at SSP Group. Ian was also previously a Non-Executive Director and Chair of the Audit Committee at Misys Plc.



Karen Jones
Non-Executive Director

Karen joined the Board in September 2009 as a Non-Executive Director and chairs the Remuneration Committee. Karen is the founder and Chairman of Food & Fuel Limited and also chairs Hawksmoor. She is a Non-Executive Director of Booker Group Plc, Cofra Holdings AG, Firmenich International, Corbin & King Restaurants Limited and Royal National Theatre Enterprises. Karen was the co-founder of Café Rouge and former Chief Executive of Spirit Group Limited. She is also a former Non-Executive Director of HBOS Plc, Virgin Active Limited, Gondola Holdings Plc and Emap Plc. Karen was awarded a CBE in 2006 for her services to the hospitality industry.



Hilary Riva
Non-Executive Director

Hilary joined the Board in April 2014 as a Non-Executive Director. She is a Non-Executive Director of Shaftesbury Plc and London & Partners. Between 1996 and 2001, Hilary was a member of the Management Board of Arcadia serving as Managing Director of Evans, Top Shop, Principles, Wallis, Dorothy Perkins and Warehouse. In 2001, as Managing Director of Rubicon Retail, she jointly led the management buy-out of Principles, Hawkshead, Warehouse and Racing Green from Arcadia. Following the sale of Rubicon in 2005, Hilary joined the British Fashion Council as Chief Executive on a pro bono basis and took over the organisation of London Fashion Week. She was awarded an OBE for services to the fashion industry in 2008.



Rita Clifton
Non-Executive Director

Rita joined the Board in April 2014 as a Non-Executive Director. She has a portfolio of chairmanship and non-executive roles. She is currently Chairman of BrandCap and Populus, and a Non-Executive Director of Bupa and Nationwide Plc. Previous non-executive directorships include Dixons Retail Plc and Emap Plc. Rita started her career in advertising, becoming Vice Chairman and Strategy Director at Saatchi & Saatchi. She joined Interbrand as Chief Executive Officer of the London branch in 1997, becoming Chairman in 2002. She is a Fellow of WWF, is on the Advisory Board for BP Target Neutral, and is a member of the Government's Sustainable Development Commission. She also chairs TCV and in 2014 was awarded a CBE for services to the advertising industry.

BOARD CHANGES DURING THE YEAR

Jon Kamaluddin
International Director
(Resigned 1 October 2013)

Jon qualified as a chartered accountant at Arthur Andersen, where he began his career working in corporate recovery. He left to join Marks & Spencer Plc where he spent three years in a number of financial positions including Head of Finance for the Per Una brand. In 2004, Jon joined ASOS as the Company's Finance Director, before taking on the role of International Director in April 2009.

Peter Williams
Senior Independent Non-Executive Director
(Resigned 4 December 2013)

Peter joined the Board in April 2006, chaired the Audit Committee, and was the Company's Senior Independent Non-Executive Director. At the time of his resignation, Peter was a member of the Design Council, Chairman of OfficeTeam, and a Non-Executive Director of Cineworld Group Plc and Sportech Plc. A former Chief Executive and CFO of Selfridges Plc for more than ten years, Peter was also previously Chief Executive of Alpha Group Plc.

Mary Turner
Non-Executive Director
(Resigned 4 December 2013)

Mary joined the Board in September 2009 as a Non-Executive Director. At the time of her resignation, Mary was Chief Executive of AlertMe.com Limited. Before that, from 2001 to 2009, she was Managing Director and Chief Executive Officer of Tiscali UK Limited. Prior to joining Tiscali, Mary was Chief Executive Officer of BTLone, and Senior Vice President Marketing (Europe) at CompuServe Information Services.

The Board of the Company is committed to appropriate standards of corporate governance, as an important part of an effective and efficient approach to managing the Company, its subsidiaries and all its businesses (together 'the Group') for the long-term benefit of all shareholders. The Company's policies are monitored to ensure that they are appropriate for the nature, status, size and circumstances of the business, and are explained below.

THE BOARD

The Board's primary tasks are to enhance shareholders' interests by:

- reviewing and approving the Group's overall strategy and direction
- determining, maintaining and overseeing controls, audit processes and risk management policies (including treasury and dividend policies), to ensure the Company operates effectively
- approving the financial statements, as well as revenue and capital budgets and plans
- approving material agreements and non-recurring projects
- reviewing and approving remuneration policies.

Board composition

As at 20 October 2014, the Board comprised the Chairman, two Executive Directors and four Non-Executive Directors. During the year to 31 August 2014, several Board changes took place: on 1 October 2013, Ian Dyson was appointed as Senior Non-Executive Director; on 1 October 2013, Jon Kamaluddin resigned as an Executive Director; on 4 December 2013, Peter Williams and Mary Turner resigned as Non-Executive Directors; and on 1 April 2014, Hilary Riva and Rita Clifton were appointed as Non-Executive Directors. Short biographies of each of the directors who served during the financial year are set out on pages 30 to 31.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including (without limitation) in the areas of retailing, finance, international trading operations, e-commerce and marketing. The Board is also satisfied that it has a suitable balance between independence (of both character and judgement) and knowledge of the Company, to enable the directors to discharge their duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for election at the next AGM following their appointment.

With regard to those Directors who are offering themselves for re-election at the next AGM, the Board unanimously believes that the contributions made by those Directors continue to be effective and that the Company and its shareholders should support their re-election.

Roles of the Chairman and Chief Executive Officer

There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved, and overseeing the management of the Company through the Executive Board.

Board meetings

The Board manages the Company through a formal schedule of matters reserved for its decision, with a minimum of eight meetings scheduled each year. During the year to 31 August 2014, the Board met for its eight scheduled meetings. The Board delegates specific responsibilities to the Board Committees as detailed in this Report, with the role and responsibilities of each Committee set out in clearly defined Terms of Reference. Prior to the start of each financial year, a schedule of dates for that year's eight Board meetings is compiled to align as far as reasonably practicable with the Company's financial calendar, although this may be supplemented by additional meetings as and when required.

The Board receives appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals, and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting. Any specific actions arising from such meetings are agreed by the Board, and then followed up by the Company's management.

Board performance

The performance of the Board is fundamental to the Company's success. The performance of the Board and its Committees, including individual members, is evaluated regularly, and the evaluation is conducted with the aim of improving their effectiveness. This year's evaluation was facilitated internally, and involved a questionnaire to each Board Director. At the time of this Report, we were collating the results.

Advice, support and professional development

The Directors have access to the advice and services of the General Counsel & Company Secretary, who is responsible for ensuring that all Board procedures have been complied with. There is also an agreed procedure to enable individual Directors to take independent legal and financial advice at the Company's expense, as and when necessary to support the performance of their duties as Directors of the Company. Throughout their period in office, the Directors are also updated on the Group's businesses and the regulatory and industry-specific environments in which they operate, by way of written briefings

and meetings with senior executives and, where appropriate, external parties. All Directors are also offered appropriate training to develop their knowledge and ensure they remain up to date in relevant matters for which they have responsibility as a member of the Board.

Directors' conflicts of interest

The Company has effective procedures in place to deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to the Board.

Board Committees

The Board is supported by the Audit, Remuneration and Nomination Committees. Their specific responsibilities are set out below. Executive Directors are not members of the Board Committees, although they may be invited to attend meetings.

Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the Committee to carry out its duties. The Terms of Reference of each Committee are available on the Company's corporate website, www.asosplc.com. Each Committee is responsible for reviewing the effectiveness of its own Terms of Reference and for making recommendations to the Board for changes when necessary. The General Counsel & Company Secretary acts as secretary to all the Committees. The minutes of Committee meetings are circulated to all Committee members, and reports on each are given by the relevant Committee Chairman to the Board.

Audit Committee

The Audit Committee currently comprises four independent Non-Executive Directors: Ian Dyson (Committee Chairman); Karen Jones; Hilary Riva; and Rita Clifton. The Company Chairman, the Chief Executive Officer, the Chief Financial Officer, the General Counsel & Company Secretary, and the Director of Finance are also invited to attend meetings (unless they have a conflict of interest), as are the external and internal auditors.

The Board is satisfied that the Chairman of the Committee, Ian Dyson, has recent and relevant financial experience. He is a chartered accountant, has held executive roles in financial positions in other companies, and has chaired audit committees for a number of other listed companies. The Committee's other members have all played an active role in all Committee meetings held throughout the year.

The Committee's principal responsibilities are:

- financial reporting and external audit (including auditor independence)
- internal control and risk management
- internal audit.

The Audit Committee met three times for scheduled meetings during the year. Its activities included:

- reviewing and approving the 2013 Annual Report and Accounts
- reviewing and approving the half-year results to 28 February 2014
- overseeing the appointment of and relationship with the external auditors, together with an assessment of their independence

- reviewing and approving the Group's tax and treasury policies
- considering reports from the external auditors identifying any accounting or judgemental issues requiring its attention
- reviewing and considering reports on the work of the internal audit function
- the launch, implementation and review of 'Do The Right Thing', the new ASOS Code of Integrity
- reviewing the Company's updated Risk Register, and the risk mitigation actions undertaken by the business during the year
- considering reports on the Company's Gifts and Corporate Hospitality Policy, Safety Policy and IT security procedures
- introducing a Disclosure Committee to strengthen the due diligence and process around the release of the Company's financial statements.

The Audit Committee has increased its number of scheduled meetings from three to four, with effect from 1 September 2014, with two meetings concentrating on external auditing and reporting of results, and the other two meetings concentrating on internal auditing and risk management, including business controls and business continuity planning.

The Audit Committee Chairman and members regularly meet with both the external and internal auditors, without the Executive Directors or members of the Finance Team present.

Remuneration Committee

The composition, responsibilities and activities of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 36 to 45, along with the Company's remuneration policy and details of how that policy was implemented during the year to 31 August 2014.

Nomination Committee

The Nomination Committee currently comprises four independent Non-Executive Directors – Ian Dyson, Karen Jones, Hilary Riva, and Rita Clifton; and the Company's Chairman, Brian McBride, who is the Committee Chairman. The Chief Executive Officer is also invited to attend meetings unless he has a conflict of interest. Other Directors, and the General Counsel & Company Secretary, are invited only as appropriate (and only if they do not have a conflict of interest). The Committee is also assisted by executive search consultants as and when required.

The Committee's principal responsibility is to evaluate the Board's requirements and ensure that appropriate procedures are in place for the nomination, selection and succession of Directors and senior executives to meet those requirements. The Committee met once during the year to 31 August 2014, primarily with regard to the succession process for Non-Executive Directors.

The external search consultancy Odgers Berndtson advised on all appointments made to the Board during the financial year. The Company is committed to encouraging diversity amongst its workforce and, after the appointments made to the Board this year, over 40% of the Board are women. For further information on diversity, please see 'People' in the Corporate Responsibility section on pages 26 and 27.

Attendance at Board/Committee meetings

The table below shows the attendance record of individual Directors at Board meetings and relevant Committee meetings.

	Board meetings		Committees					
	Eligible to attend	Attended	Audit		Remuneration		Nomination	
			Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Brian McBride	8	8	–	–	–	–	1	1
Nick Robertson	8	8	–	–	–	–	–	–
Nick Beighton	8	8	–	–	–	–	–	–
Ian Dyson	7	7	3	3	4	4	1	1
Karen Jones	8	8	3	3	4	4	1	1
Hilary Riva	3	3	1	1	2	2	–	–
Rita Clifton	3	3	1	1	2	2	–	–
Peter Williams	3	3	1	1	1	1	–	–
Mary Turner	3	3	1	1	1	1	–	–
Jon Kamaluddin	1	–	–	–	–	–	–	–

At the date of this Report, the Board had met three times since the end of the financial year, 31 August 2014. The Remuneration Committee and the Audit Committee had also each met once since 31 August 2014.

EXECUTIVE BOARD

The Executive Board consists of the Executive Directors and key functional directors and meets weekly. Under the chairmanship of the Chief Executive Officer, the Executive Board is responsible for the day-to-day management of the Group's business and its overall financial performance in fulfilment of the strategy, plans and budgets approved by the Board of Directors. It also manages and oversees trading performance, key risks, management development, and corporate responsibility programmes. The Chief Executive Officer reports to the Board on issues, progress and recommendations for change which come out of the Executive Board's meetings.

Financial controls

Internal control procedures are delegated by the Board to the Executive Board. The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Board, the Audit Committee and the Board, in light of an ongoing assessment of significant risks facing the Company. The key elements of this are set out below.

- As outlined above, the Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Company, including treasury, tax and dividend policy. Monthly results and variances from plans and forecasts are reported to the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, operational and financial controls, including the results of work performed by the internal audit function. The Committee provides a direct link between the Board and the external and internal auditors through regular meetings.

- The Board has established an organisational authority structure, with clearly defined lines of responsibility and approval thresholds, to specify the transactions requiring its approval. The Chief Financial Officer is responsible for the functional leadership and development of the Company's finance activities, including compliance with this organisational authority structure.
- There is a comprehensive procedure both for budgeting and planning, and for monitoring and reporting to the Board business performance against those budgets and plans. These cover profits, cash flows, capital expenditure and balance sheets. Monthly results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised in light of actual performance.
- The Company has a uniform system of investment appraisal, with defined financial controls and procedures with which each business area is required to comply in order to be granted investment funds for development.

Non-financial controls

The Company has a wide range of non-financial controls covering areas such as legal and regulatory compliance, business integrity, health and safety, and corporate responsibility (including ethical trading, supplier standards, environmental concerns, and employment diversity), risk management and business continuity. The effectiveness of these are regularly reviewed by the Executive Board, and reported on to the Board. The key elements of those non-financial controls are set out below.

- **Appropriate standards and policies:** the Board is committed to maintaining appropriate standards for all the Company's business activities, and ensuring that these standards are set out in written policies. Key examples of such standards and policies include the Company's Safety Policy (under which all notified accidents are investigated); the ASOS Supplier Standards (which set out the core trading requirements expected of all ASOS suppliers); and 'Do The Right Thing', the Company's new Code of Integrity (designed to ensure that all those who work for and on behalf of ASOS act with integrity, behave ethically and work within best practice). The Board has also determined a set of corporate responsibility standards which include objectives relating to the impacts that the Group's activities have on the environment, workplace, marketplace and community.
- **Appropriate oversight:** as businesses change, so too do their challenges and risks. As a result, the Board regularly reviews all standards and policies to ensure they remain appropriate to ASOS as its size and shape change. The most significant of these is the Company's Risk Register; through its review, risks facing the business are re-assessed, and potential mitigating actions to help protect against those risks are considered.
- **Appropriate communications:** all Group standards and policies are communicated throughout the organisation, with training provided in key areas including business integrity, anti-bribery, gifts, intellectual property and design rights.
- **Appropriate approvals:** all material contracts are required to be reviewed by the Procurement and Legal Departments, and signed by a senior executive of the Company.

RELATIONS WITH SHAREHOLDERS

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance are clearly understood. The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, trading updates, the Annual General Meeting (AGM), and face-to-face meetings. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's corporate website, www.asosplc.com.

Retail shareholders

The AGM is the principal forum for dialogue with retail shareholders, and the Company encourages all shareholders to attend and participate. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairmen of the Board and all Committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. Shareholders vote on each resolution by a show of hands, unless a poll is validly called, and after each such vote the number of proxy votes received for, against and withheld is announced. The results of the AGM are subsequently published on the Company's corporate website.

Institutional shareholders

The Directors actively seek to build a mutual understanding of objectives with institutional shareholders. Shareholder relations are managed primarily by the Chief Executive Officer, Chief Financial Officer, the Head of Investor Relations and the Director of Finance. The Chief Executive Officer and Chief Financial Officer make presentations to institutional shareholders and analysts immediately following the release of the full-year and half-year results. The Company communicates with institutional investors frequently through a combination of formal meetings, participation at investor conferences, and informal briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the Chief Financial Officer and Head of Investor Relations. Significant investment reports from analysts are also circulated to the Board. The Non-Executive Directors, including the Senior Independent Non-Executive Director, are available to meet with major shareholders if required to discuss issues of importance to them.

AUDITORS' INDEPENDENCE

The external auditors, PricewaterhouseCoopers LLP (PwC), were first appointed in the financial year to 31 March 2008. The Board is satisfied that the Company has adequate policies and safeguards in place to ensure PwC maintain their objectivity and independence. For example, a tender for external audit services is carried out at least every ten years. The external auditors report to the Audit Committee annually on their independence from the Company. Periodic rotation of key audit partners is also required. There are no contractual restrictions on the Audit Committee as to the choice of external auditors.

The Board has a formal policy on the Company's relationship with PwC in respect of non-audit work. Proposals for all non-audit services must be approved by the Audit Committee before any such work is carried out, and PwC may only provide such services if their advice does not conflict with their statutory responsibilities and ethical guidance. The fees paid to PwC in respect of non-audit services are shown in Note 4 to the financial statements.

In line with its Terms of Reference, the Audit Committee undertakes a thorough assessment of the quality, effectiveness, value and independence of the audit provided by PwC each year, seeking the views of the Board, together with those of senior management.

Following the most recent review, the Audit Committee recommended the reappointment of PwC as auditors of the Company, and PwC expressed its willingness to continue in office. A resolution to reappoint PwC and a resolution to enable the Directors to determine their remuneration will be proposed at the 2014 AGM.

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

The Board and Remuneration Committee of ASOS aim to ensure that ASOS has the best possible team, who are fully engaged and committed to the business, in order to drive continued success and to create and sustain shareholder value.

ASOS does this by:

- striving to make ASOS a business and environment where high-performing, engaged employees actively want to work
- harnessing the commitment and engagement of those employees to drive high performance across the business
- rewarding performance in a fair and responsible manner.

The Remuneration Committee, the Board and the Company are passionate about encouraging outstanding performance. For ASOS, rewarding performance in a fair and responsible manner means:

- paying appropriate levels of remuneration to secure the calibre of employees needed, whilst leveraging the strength of our employer brand
- ensuring that all incentives are suitably challenging, carrying stretching targets which are aligned with the Company's strategy and with shareholders' long-term interests.

During the year to 31 August 2014 the Remuneration Committee has focused on continuing to enhance the remuneration framework as follows:

- we have revised our approach to salary reviews, focusing on 'pay for performance' instead of seniority, enhancing our commitment to rewarding high performance
- we have set up international share schemes to bring reward structures in line with those we operate in the UK, recognising that ASOS is a global company whose goal is to become the world's no.1 fashion destination for 20-somethings, and that we want all our employees to be as engaged as possible
- we quickly adopted changes brought in by HMRC, increasing the maximum contribution to our Save As You Earn (SAYE) schemes from £250 to £500 per month, enabling employees to feel connected to the business as 'owners', and further strengthening alignment between shareholders and employees.
- we concluded that, while awards held by the Executive Directors should remain unchanged, below Board participants should be given the opportunity to de-risk their ALTIP awards to ensure that those awards continue to act as an appropriate incentive and retentive arrangement.

Despite incredible efforts and hard work from many people across the business, overall performance in the 2014 financial year has resulted in no annual bonus being paid to our employees. Everyone at ASOS is keen to ensure that next year's performance meets expectations.

Following a review of our long-term incentive provision by the Remuneration Committee, at this year's AGM the Board will be seeking shareholders' approval for a new long-term incentive scheme for senior executives. Under the ASOS Long-Term Incentive Scheme (ALTIS), annual awards of shares may be granted which vest after three years subject to the achievement of the long-term performance conditions set in line with the business strategy. As such the ALTIS will provide a strong alignment of interest between senior executives and the long-term interests of shareholders.

At last year's Annual General Meeting, 94.07% of shareholders voted in favour of the 2013 Director's Remuneration Report. The Directors' Remuneration Report for the year to 31 August 2014 will once again be put separately to an advisory shareholder vote at the Annual General Meeting so that there is accountability for the policy and its implementation in the year. I very much hope that you will support our work on remuneration by voting in favour of this year's report and the resolution proposing the new long-term incentive plan.



Karen Jones

Chairman of the Remuneration Committee

REMUNERATION GOVERNANCE

The Remuneration Committee: composition

The Remuneration Committee comprises four independent Non-Executive Directors: Karen Jones (Committee Chairman), Hilary Riva, Ian Dyson and Rita Clifton. During the year to 31 August 2014, both Peter Williams and Mary Turner resigned as Non-Executive Directors, and therefore stood down as members of the Remuneration Committee. The table below sets out each member's attendance record at Committee meetings during the financial year.

Committee member	Role	Attendance record
Karen Jones (Committee Chairman)	Non-Executive Director	4/4
Ian Dyson	Non-Executive Director	4/4
Hilary Riva	Non-Executive Director (appointed 1 April 2014)	2/2
Rita Clifton	Non-Executive Director (appointed 1 April 2014)	2/2
Peter Williams	Non-Executive Director (resigned 4 December 2013)	1/1
Mary Turner	Non-Executive Director (resigned 4 December 2013)	1/1

Although the Chief Executive Officer and the Chief Financial Officer are not members of the Remuneration Committee, they are both invited to attend meetings as appropriate, unless they have a conflict of interest. Also invited to attend as appropriate (unless they have a conflict of interest) are the Company Chairman, the People Director, the General Counsel & Company Secretary, and the Company's remuneration advisers.

The Remuneration Committee: responsibilities

The Committee's principal responsibilities are:

- to determine and recommend to the Board the Company's overall remuneration policy
- to determine and recommend to the Board the remuneration of Executive Directors, the other members of the Executive Committee, and the Chairman
- to monitor, review and approve the levels and structure of remuneration for other senior managers and employees, and, from that, monitor the ongoing effectiveness of the Group's overall remuneration policy
- to determine the headline targets for any performance-related bonus or pay schemes
- to determine specific targets and objectives for any performance-related bonus or pay schemes for senior executives
- to review and approve any material termination payment.

The full Terms of Reference of the Remuneration Committee are available on the Company's corporate website, www.asosplc.com. These were last updated on 11 June 2014.

The remuneration of Non-Executive Directors is determined by the Chairman of the Board and the Executive Directors.

The Remuneration Committee: advisers

The Committee has engaged the external advisers listed below to assist it in meeting its responsibilities.

- New Bridge Street, part of Aon Plc, was appointed as independent advisers to the Committee, and provided advice encompassing all elements of the remuneration packages. For that advice, New Bridge Street received fees totalling £41,006 in the financial year to 31 August 2014. Aon Plc, the parent company of New Bridge Street, provides insurance broking services to the Company. New Bridge Street is a signatory to the Remuneration Consultants' Code of Conduct, and the Committee is satisfied that the advice that it receives is objective and independent.
- The Committee receives advice and assistance from the People Director, the General Counsel & Company Secretary, the Chief Executive Officer and the Chief Financial Officer as a matter of course.
- During the year, the Company also received advice from PricewaterhouseCoopers LLP and Slaughter and May LLP on tax and legal matters relating to remuneration respectively.

REMUNERATION POLICY

The overall aim of our remuneration policy is to provide appropriate incentives that reflect the Group's high performance culture and values, through a number of specific remuneration components (detailed in the table on the following pages). In summary, it aims to:

- attract, retain and motivate high calibre, high performing engaged employees
- encourage strong performance and engagement, both in the short and the long term, that will enable the Group to achieve its strategic objectives, creating sustainable shareholder value
- reward individuals, over both the short and the long term, for their contributions to the success of the Group in a fair and responsible manner
- reward high performance with high rewards, while ensuring that the people management systems are in place to recognise when performance does not meet our expectations or the required standards.

In applying that policy, ASOS also aims to ensure:

- that the total reward cost to the Company should be affordable and sustainable
- that employee communications around pay and rewards should be straightforward, effective and easy to understand.

The Remuneration Committee is satisfied that this policy successfully aligns the interests of Executive Directors, senior managers and other employees with the long-term interests of shareholders, by ensuring that an appropriate proportion of total remuneration is directly linked to the Group's performance over both the short and the long term, with an emphasis on share-based remuneration and long-term shareholding.

In determining the practical application of the policy, the Remuneration Committee considers a range of internal and external factors, including pay and conditions for employees generally, shareholder feedback, and appropriate market comparisons against remuneration practices in FTSE-listed, AIM-listed and other retail and internet-based companies.

Remuneration policy components

Each component forms part of an overall competitive remuneration package designed to attract and retain appropriate talent with the necessary skills to implement the Company's strategy in order to create long term value for shareholders.

Element	Purpose	How it operates	Maximum opportunity	Performance-related framework
FIXED REMUNERATION ELEMENTS				
Base salary	Reflects an individual's responsibilities, experience and role.	<p>Normally reviewed annually on 1 April and normally takes effect from that date.</p> <p>Salaries are normally paid monthly.</p> <p>Decisions are influenced by:</p> <ul style="list-style-type: none"> ■ responsibilities, abilities, experience and performance of an individual ■ the performance of the individual in the period since the last review ■ the Company's salary and pay structures and general workforce salary increases. <p>Salaries are benchmarked periodically against FTSE-listed, AIM-listed and other retail and internet-based companies.</p>	<p>There is no prescribed maximum annual base salary or salary increase.</p> <p>The Committee is guided by the general increase for the broader employee population but has discretion to decide to award a lower or higher increase for Executive Directors to recognise, for example, an increase in the scale, scope or responsibility of the role and/or take account of relevant market movements.</p>	<p>The performance of the individual in the period since the last review is considered when their salary is being reviewed.</p>
Pension	Reflects an individual's responsibilities, experience and role.	<p>Defined contribution arrangement or salary supplement.</p> <p>Only base salary is pensionable.</p> <p>The Company's contribution depends on the employee's seniority and may be matched to the level of contributions the employee chooses to make.</p>	<p>The Company may contribute up to 15% of base salary (in the case of current executives) and up to 12% of base salary (in the case of any new appointments).</p> <p>The Committee has discretion to amend the contribution level should market conditions change.</p>	<p>Not applicable.</p>
Other benefits	<p>To support the personal health and well being of employees.</p> <p>To reflect the Company's culture.</p>	<p>Package of taxable benefits offered through the Company's flexible benefits scheme, 'ASOS Extras', which offers all employees a fixed value depending upon the employee's seniority, which can be used either to purchase a variety of benefits, or be taken in cash.</p> <p>Benefits include private medical insurance and life assurance.</p> <p>Other benefits may be added to the package where appropriate.</p>	<p>There is no overall maximum level of benefits provided to Executive Directors, and the level of some of these benefits is not pre-determined but may vary from year to year based on the overall cost to the Company.</p>	<p>Not applicable.</p>

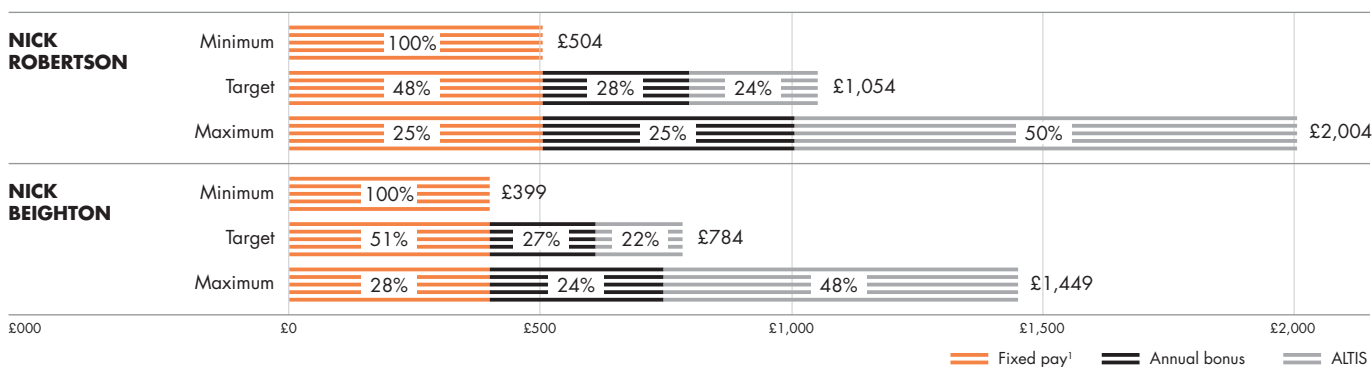
Element	Purpose	How it operates	Maximum opportunity	Performance-related framework
VARIABLE REMUNERATION ELEMENTS				
Annual bonus	Provides a link between remuneration and both short-term personal and short-term Company performance.	<p>The annual bonus plan is applicable to all employees, including Executive Directors, in each case with reference to a percentage of each individual's base salary.</p> <p>The bonus is earned based on performance against targets set and assessed by the Committee. Targets are reviewed annually, and the Committee has discretion to adapt the targets appropriately to take into account exceptional items.</p> <p>Bonus payments are normally awarded in cash and are not pensionable.</p>	Up to 100% of base salary. 60% is payable for on-target performance.	Normally measured over a one-year performance period, and are based on a mix of financial targets (e.g. profit before tax and exceptional items), non financial performance and personal objectives relevant to the year, which are set taking into account the Company's strategic objectives over that period.
Long-Term Incentive – ASOS Long-Term Incentive Scheme (ALTIS)	Supports the strategy and business plan by incentivising and retaining the ASOS senior management team in a way that is aligned both with the Company's long-term financial performance and with the interests of shareholders.	<p>Annual awards of shares to selected employees, which vest after three years subject to the achievement of performance conditions.</p> <p>Clawback and malus provisions allow awards to be recouped in certain circumstances.</p>	<p>200% of base salary (300% in exceptional circumstances) in any financial year.</p> <p>The value of any dividends paid by the Company over the vesting period will be payable, to the extent awards vest.</p>	<p>Subject to three-year performance conditions linked to the business strategy and ensuring strong alignment with the long-term interests of shareholders.</p> <p>Current performance conditions are based on earnings per share (EPS) and total shareholder return (TSR).</p>
Share ownership	<p>Increases alignment between the Board of Directors and shareholders.</p> <p>Shows a clear commitment by all Board Directors to creating value for shareholders in the long term.</p>	<p>Guidelines require Executive Directors to retain 50% of any shares acquired on vesting of the ALTIP, and any subsequent share awards thereafter (net of tax), until the required shareholdings are achieved.</p> <p>The guideline limit for the Chief Executive Officer and Chief Financial Officer is 500% and 200% of salary respectively.</p>	Not applicable.	Not applicable.

DIRECTORS' REMUNERATION REPORT continued

Element	Purpose	How it operates	Maximum opportunity	Performance-related framework
All-employee share plans – SAYE and SIP	Increases alignment between employees and shareholders in a tax efficient manner. Supports retention of employees.	Two HMRC-approved all-employee share schemes encourage employees to take a stake in the business, aligning their interests with those of shareholders: <ul style="list-style-type: none"> ■ Save As You Earn share option scheme (SAYE) ■ Share Incentive Plan (SIP). Mirror arrangements are in place for overseas participants.	Consistent with prevailing HMRC limits.	Not applicable.
Non-Executive Directors	Provide fees appropriate to time commitments and responsibilities of each role.	Cash fee normally paid on a monthly basis. Fees are reviewed periodically.	There is no prescribed maximum annual fee or fee increase. The Board is guided by the general increase for the broader employee population and takes into account relevant market movements.	Not applicable.

Total potential remuneration for Directors at different levels of performance

The chart below provides estimates of the potential remuneration of each Executive Director in the 2015 financial year from the remuneration opportunity granted to them by the Company's remuneration policy.



¹ Fixed pay comprises the Director's salary, benefits and pension as at 1 September 2014.

Executive Director service contracts and payments for loss of office

All Executive Directors are employed under service contracts. It is the Company's policy that all Executive Directors should have rolling service contracts with an indefinite term but a fixed period of notice of termination. The services of all Executive Directors may be terminated on a maximum of twelve months' notice by the Company or the individual. The Company's approach to remuneration in each of the circumstances in which an Executive Director may leave is set out in the table below, with an individual's status being determined by the Remuneration Committee in accordance with the rules of any applicable scheme.

Remuneration component	'Bad' leaver situation	'Good' leaver situation
Salary in lieu of notice	Provided up to the point of leaving.	Up to a maximum of 100% of salary; normal practice is to make a phased payment.
Pension and other benefits	Provided up to the point of leaving. No benefits would be provided after that date, unless it is in the interests of ASOS to do so.	Up to one year's worth of pension and benefits.
Bonus	None.	Paid in accordance with bonus scheme terms. Normal practice would be for payment to be time pro-rated to the point of leaving.
Long-term incentives	Awards lapse.	May vest in accordance with scheme rules. Normal practice would be for the vested award to be time pro-rated to the point of leaving.
Other payments	None.	Disbursements such as contributions to legal costs and outplacement fees.

Non-Executive Directors' letters of appointment

Non-Executive Directors do not have service contracts with the Company; instead they have letters of appointment, which provide for a maximum of three months' notice of termination by the Company or the individual at any time, with no pre-determined amounts of compensation.

Recruitment

When recruiting any Executive Director or senior executive, the remuneration level will take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual. Where possible, the Company seeks to apply consistent policies on fixed and variable remuneration components, in line with the remuneration policy set out in the table above, so that any new Executive Director is on the same remuneration footing as existing Executive Directors.

The granting of payments or share awards on joining in order to secure the appointment of an Executive Director or senior executive is normally limited to the value of any deferred remuneration that would be forfeited at the previous employer. Any such proposal for Executive Directors would require the prior approval of the Remuneration Committee and the Executive Board, and for all other employees, the prior approval of the People Director.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Policy developments

Revisions to the remuneration policy and its implementation require the approval of the Remuneration Committee, to whom responsibility for the policy has been delegated by the Board, and the Directors' Remuneration Report will continue to be submitted for shareholder approval each year.

DIRECTORS' REMUNERATION REPORT continued

REMUNERATION IMPLEMENTATION

Details of how the Company's remuneration policy has been applied in the year to 31 August 2014 are set out below. Certain information within this section has been audited as highlighted.

Directors' remuneration table (audited)

The remuneration of the Directors for the years to 31 August 2014 and 31 August 2013 is set out in the table below.

Executive Directors

Director	Year to 31 August 2014					Total remuneration £	Year to 31 August 2013 Total remuneration £
	Fixed remuneration			Variable remuneration			
	Base salary £	Benefits £	Pensions £	Bonus £	LTIP £		
Nick Robertson ¹	333,333	3,860	-	-	-	337,193	803,843
Nick Beighton	350,000	7,371	50,000	-	-	407,371	604,456
Jon Kamaluddin ²	100,000	934	15,000	-	-	115,934	527,592
Robert Bready ³	-	-	-	-	-	-	288,489
Kate Bostock ⁴	-	-	-	-	-	-	414,171
	783,333	12,165	65,000	-	-	860,498	2,638,551

1 Whilst Nick Robertson's annual base salary is £500,000, he opted to waive receipt of that salary between 1 May and 31 August 2014.

2 Resigned from the Board on 1 October 2013 and from the Company on 31 December 2013.

3 Resigned 9 October 2012.

4 Resigned 16 July 2013.

Non-Executive Directors

Director	Year to 31 August 2014					Basis for additional fee	Year to 31 August 2013 Total remuneration £
	Base fee £	Additional fee £	Other taxable benefits £	Total remuneration £	Total remuneration £		
Lord Alli ¹	-	-	-	-	-	Chairman of Board	25,000
Brian McBride	190,000	-	1,005	191,005	-	Chairman of Board	158,333
Peter Williams ²	13,068	1,568	-	14,636	-	SID and Audit Chair	50,167
Ian Dyson ³	45,833	9,167	-	55,000	-	SID and Audit Chair	-
Karen Jones	50,000	5,000	-	55,000	-	Remuneration Chair	49,167
Mary Turner ²	20,833	-	-	20,833	-		44,167
Hilary Riva ⁴	20,833	-	-	20,833	-		
Rita Clifton ⁴	20,833	-	-	20,833	-		
	361,400	15,735	1,005	378,140			326,834

1 Resigned 11 November 2012.

2 Resigned 4 December 2013.

3 Appointed 1 October 2013.

4 Appointed 1 April 2014.

Payments to past Directors

During the year to 31 August 2014, no payments were made to any past Directors who are not identified in this Report.

Directors' bonuses

Director	Year to 31 August 2015		Year to 31 August 2014			Year to 31 August 2013	
	Base salary £	Max bonus potential £	Base salary £	Max bonus potential £	Actual bonus £	Base salary £	Actual bonus £
Nick Robertson	500,000	500,000	500,000	500,000	-	500,000	300,000
Nick Beighton	350,000	350,000	350,000	350,000	-	350,000	210,000
	850,000	850,000	850,000	850,000	-	850,000	510,000

Directors' interests in share plans (audited)

ASOS Long-Term Incentive Plan

The outstanding long-term incentive awards held by Executive Directors under the ASOS Long-Term Incentive Plan (ALTIP) are set out in the table below.

	Date of grant	Base award value	Granted during the year	Vested during the year	Normal vesting date
Nick Robertson	1 May 2013	£5,000,000	–	–	31/10/16
Nick Beighton	1 May 2013	£3,500,000	–	–	31/10/16

Performance targets

These ALTIP awards are subject to challenging, interdependent EPS (fully diluted underlying earnings per share, before exceptional items, but after the cost of the ALTIP) and relative TSR targets measured from 1 September 2012 to 31 August 2015 (the performance period).

There are three performance levels under the EPS performance target, as set out below.

- The threshold performance level (6.7% maximum vesting) requires compound EPS growth equal to 17% per annum over the performance period (equating to EPS for the year to 31 August 2015 of 63.4p per share and implying sales of £0.9bn).
- The target performance level (70% maximum vesting) requires compound EPS growth equal to 23% per annum over the performance period (equating to EPS for the year to 31 August 2015 of 73.7p per share and implying sales of £1.0bn).
- The stretch performance threshold (100% maximum vesting) requires compound EPS growth to equal or exceed 32% per annum over the performance period (equating to EPS for the year to 31 August 2015 of 91.1p per share and implying sales of £1.3bn).

The TSR performance target, comparing the ASOS TSR with that of the constituents of the FTSE All-Share General Retailers Index plus Mulberry Group Plc, will be applied to the EPS outturn and may scale back the vesting under the EPS condition (potentially to zero). It will not be scaled back if the ASOS TSR is at the upper quartile or above, and will be scaled back progressively if the ASOS TSR is below upper quartile, up to one-third if the ASOS TSR is at median. There will be zero vesting if the ASOS TSR is below median.

Structure of awards

Under the terms of the ALTIP, Executive Directors were required to invest between one-third and 100% of the tax fair value of their awards to strengthen the link between their personal interests and those of the Company and its shareholders. In return for that investment, capital gains tax (and potentially entrepreneur's relief) will be payable by a participant on any gain made at vesting. These investments are forfeited if the performance conditions of the ALTIP are not met. Both Executive Directors chose to invest at 100% of the tax fair value of their awards.

Following a review of the ALTIP structure during 2014, the Remuneration Committee concluded that while awards held by the Executive Directors should remain unchanged, below Board participants should be given the opportunity to de-risk their ALTIP awards, to ensure that their awards continue to act as an appropriate incentive and retention arrangement over the performance period.

Below Board participants were therefore offered the choice of continuing with their original investment-based awards or selling their investment back to the Company for the same price they paid for it and instead receiving an equivalent conventional option award with exactly the same terms as their original awards in respect of the performance targets and vesting date.

An exercise price equivalent to the participant's original investment (equal to 21% of an ASOS Plc share on 1 May 2013) was added to the conventional option award. This exercise price was considered by the Committee to be a reasonable proxy for the 25% reduction in the awards which would have been applied under the original award structure, had no investment been made by the participant. All below Board participants chose to sell their investment back to the Company and instead receive a conventional option award.

Awards held by the Executive Directors remain unchanged, with their personal investments continuing to be at risk if the performance targets are not achieved and, consequently, the awards fail to vest.

DIRECTORS' REMUNERATION REPORT continued

Other share plans

Director	Share option scheme	Date of grant	31 August 2013 (no. of shares)	Granted during the year to 31 August 2014 (no. of shares)	Lapsed during the year to 31 August 2014 (no. of shares)	Exercised during the year to 31 August 2014 (no. of shares)	31 August 2014 (no. of shares)	Exercise price (pence)	Exercise date/period
Nick Robertson^{1,2}	MIP	16/03/10	744,792	–	–	(744,792)	–	–	23/10/13
	EMI	30/07/04	140,000	–	–	(140,000)	–	56.5	23/10/13
	EMI	11/07/05	500,000	–	–	(500,000)	–	57.5	23/10/13
	EMI	04/07/06	200,000	–	–	(200,000)	–	98.0	23/10/13
	SAYE	06/12/11	764	–	–	–	764	1,177.0	01/03/15 – 31/08/15
	SAYE	08/05/14	–	255	–	–	255	3,519.0	01/07/17 – 31/12/17
Nick Beighton¹	MIP	16/03/10	365,094	–	–	(365,094)	–	–	23/10/13
	SAYE	12/06/13	304	–	–	–	304	2,955.0	01/08/16 – 31/01/17
	SAYE	08/05/14	–	255	–	–	255	3,519.0	01/07/17 – 31/12/17

1 During the year, Nick Robertson received 744,792 shares in ASOS Plc and Nick Beighton received 365,094 shares in ASOS Plc under the terms of the historic Management Incentive Plan (MIP). The share price on receipt of these shares was £50.00 and total gains of £37,204,411 were made by Nick Robertson and of £18,237,451 by Nick Beighton. This Plan related to the performance period from 1 April 2009 to 31 March 2012. This is the second and final instalment of shares under the MIP.

2 Nick Robertson exercised 840,000 EMI share options during the year, with a total gain on exercise of £41,437,400 and share price on exercise of £50.00. These options were granted between 2004 and 2006, but were not exercised until the year to 31 August 2014. Accordingly this relates to performance pay spanning a ten-year period, during which the share price performance of the business has been outstanding.

In accordance with his service agreement, Brian McBride was granted 4,434 shares on 1 November 2013. This was the second of three share allotments as explained in the stock exchange announcement on 1 November 2012 regarding Brian's appointment. The third and final share allotment of 4,434 shares is scheduled to be made on 3 November 2014.

Share price during the financial year to 31 August 2014

The market price of ordinary shares at 31 August 2014 was £28.33 (31 August 2013: £47.50) and the range during the year to 31 August 2014 was from £21.76 to £70.50 (year to 31 August 2013: £17.96 to £50.19).

Long-term incentive plans and share option awards

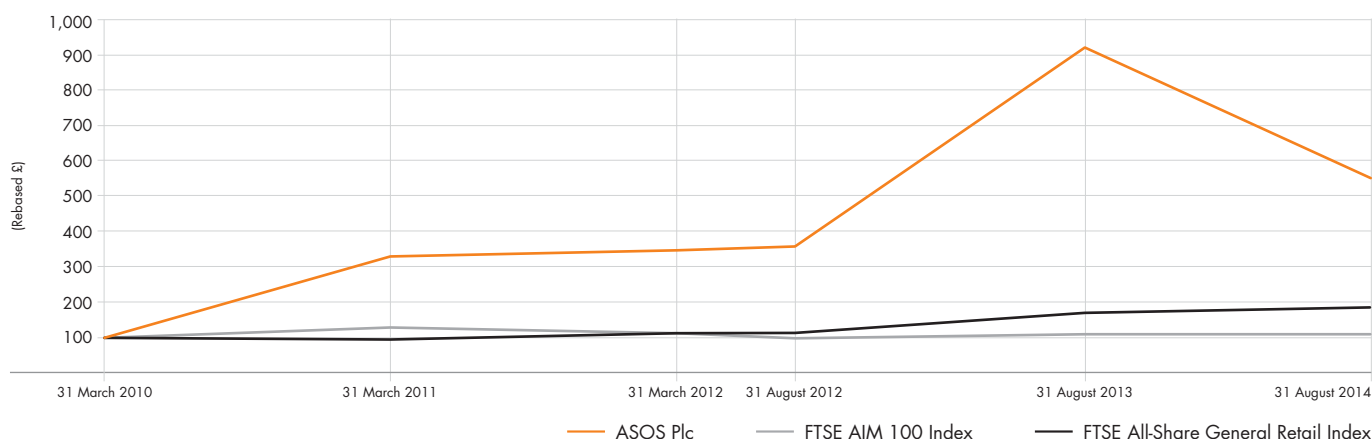
Details of all the Company's share schemes (including all historic schemes), as well as the movements in the values of all outstanding awards are set out in Note 22 to the financial statements on pages 71 to 74 of this Annual Report.

Directors' shareholdings

The Directors who held office at 31 August 2014 had the following interests, including family interests, in the shares of the Company.

Director	Beneficially owned as at 31 August 2014 (no. of shares)	Beneficially owned as at 31 August 2013 (no. of shares)	Outstanding ALTIP awards	Outstanding share options (SAYE) (no. of shares)	Shareholding guideline met
Brian McBride	8,868	4,434	–	–	N/A
Nick Robertson	7,744,600	7,744,600	£5,000,000	1,019	Yes
Nick Beighton	127,794	2,700	£3,500,000	559	Yes
Karen Jones	20,780	19,500	–	–	N/A
Ian Dyson	–	–	–	–	N/A
Hilary Riva	227	–	–	–	N/A
Rita Clifton	–	–	–	–	N/A

ASOS Plc vs FTSE AIM 100 and FTSE All-Share General Retail Indices – total shareholder return index



This graph shows the value, by 31 August 2014, of £100 invested in ASOS Plc on 31 March 2010 compared with that of £100 invested in the FTSE AIM 100 and the FTSE All-Share General Retail Indices. The other points plotted are the values at the intervening financial year ends, including the five-month period to 31 August 2012. Source: *Thompson Reuters*

Chief Executive Officer's remuneration over the past five years

	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2012	Year to 31 August 2013	Year to 31 August 2014
Salary (£)	340,000	340,000	350,200	500,000	333,333
Other taxable benefits (£)	1,596	1,706	3,320	3,843	3,860
Pension (£)	–	–	–	–	–
Annual bonus (£)	–	–	210,120	300,000	–
Long-term incentive (£) ¹	1,742,914	1,399,115	54,646,748	–	–
Total remuneration (£)	2,084,510	1,740,821	55,210,388	803,843	337,193
Annual bonus % of maximum	–	–	60%	60%	–
LTIP % of maximum	100%	100%	100%	–	–

Note that the data above is for twelve-month periods only and excludes the five-month period to 31 August 2012 to give a consistent view of the CEO's annual remuneration.

¹ Gains made under long-term incentive plans are recognised above in the final year of the performance period to which they relate. The gain in the year to 31 March 2012 is the sum of two tranches of the Management Incentive Plan which covered the performance period from 1 April 2009 to 31 March 2012.

Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage change in the Chief Executive Officer's salary, benefits and annual bonus between the financial year ending 31 August 2014 and 31 August 2013, compared to all employees of the Group.

	Salary change	Benefits change	Bonus change
Chief Executive Officer	0%	0%	(100%)
All employees	2%	83% ¹	(100%)

¹ This was a one-off adjustment of the benefits package for all employees.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends and retained profit.

	2013	2014	Change
Staff costs (£m)	55,953	68,401	22%
Dividends (£m)	–	–	–
Profit before tax (£m)	54,670	46,901	(14%)

APPROVAL

On behalf of the Board

Karen Jones

Chairman of the Remuneration Committee

20 October 2014

DIRECTORS' REPORT

The Strategic Report is on pages 2 to 28 and is incorporated in this Directors' Report by reference. The Strategic Report includes disclosures on likely future developments in the business of the Group, greenhouse gas emissions, and information on the Group's employment policies, including the employment, training and career development of disabled persons, and the Group's approach to employee consultation and engagement.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activity of its subsidiary undertakings is that of internet retailing; details of the principal subsidiaries are set out on page 85.

GOING CONCERN

The Group's business activities, financial position and cash flows, together with the factors that are likely to affect its future performance and position, are set out in the Strategic Report on pages 2 to 19. In addition, detail is given on the Group's policies on financial risk management in Note 21 to the financial statements on pages 69 and 70.

The Group continues to have a strong financial position including cash and cash equivalents of £74,340,000 at 31 August 2014 and an undrawn £20.0m revolving credit facility, which includes an ancillary £10.0m guaranteed overdraft facility which is available until July 2015. The Directors have reviewed current performance and cash flow forecasts, and are satisfied that the Group's forecasts and projections, taking account of potential changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the foreseeable future. The Directors have therefore continued to adopt the going concern basis in preparing the Group's financial statements.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2013: £nil).

DIRECTORS

The names of the Directors as at the date of this Report, together with short biographical details, are set out on pages 30 and 31.

The interests of the Directors and their immediate families in the share capital of the Company, along with details of Directors' share options and awards, are contained in the Directors' Remuneration Report on pages 36 to 45. At no time during the year did any of the Directors have a material interest in any significant contract with the Group or any of its subsidiaries.

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company has also provided an indemnity for its Directors, which is a qualifying third-party indemnity provision, for the purposes of section 234 of the Companies Act 2006. This was in place throughout the year and up to the date of approval of the financial statements.

SHARE CAPITAL

The authorised and issued share capital of the Company, together with the details of shares issued during the year to 31 August 2014, are shown in Note 18 to the financial statements on page 68. The issued share capital of the Company at 31 August 2014 was 83,425,440 ordinary shares of 3.5p.

EMPLOYEE BENEFIT TRUST

ASOS uses an employee benefit trust to facilitate the acquisition of ordinary shares in the Company for the purpose of satisfying awards and options granted under the Company's share schemes, in particular the PSP, SAYE Scheme and the SIP. During the financial year, the Company used both the ASOS.com Limited Employee Benefit Trust (EBT) and the Capita Trust (CT) to satisfy awards granted under the Company's different share schemes.

The EBT is a discretionary trust, the sole beneficiaries being employees (including Executive Directors) and former employees of the Group and their close relations, who have received awards under the PSP and SAYE Scheme. With effect from 28 August 2014, the Trustee of the EBT became Capita Trustees Limited; prior to this date the Trustee was Ogier Employee Benefit Trustee Limited. Both companies are independent professional trustee companies based in Jersey. Under the terms of the Trust Deed, the Company funds the EBT to purchase on the EBT's own account ordinary shares in the Company on the open market in return for the EBT agreeing to use the ordinary shares in the Company that it holds to satisfy certain outstanding awards and options made under the Company's share schemes.

The CT holds shares awarded under the SIP solely for the benefit of current employees (including Executive Directors) who participate in it. Under the terms of the Trust Deed, the Company funds the CT to purchase the shares on the open market and retain those shares on behalf of the underlying beneficiaries until such time as they are given to the employee.

The EBT and CT are both recognised within the Employee Benefit Trust reserve for accounting purposes. As at 31 August 2014, the EBT and CT combined held 506,260 shares in ASOS Plc (2013: 436,033) to the value of £5,329,823 (2013: £1,770,386). The Group's accounting policy is detailed within Note 27 to the financial statements and movements are detailed in the Consolidated Statement of Changes in Equity on page 54.

COMPANY'S SHAREHOLDERS

As at 20 October 2014, the Company was aware of the following interests in 3% or more of the Company's ordinary share capital:

Holder	Number	Percentage as at date of notification
FMR LLC	4,502,939	5.39
Aktieselskabet af 5.5.2010	22,861,774	27.75
Nick Robertson	7,744,600	10.19
The Capital Group Companies, Inc.	7,404,550	8.87
Baillie Gifford & Co	4,127,028	5.01
Standard Life Investments Limited	4,100,563	4.97

STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware, and each of the Directors has taken all the steps he or she should have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

POLITICAL DONATIONS

No political donations have been made during this financial year.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 11.00am on 15 January 2015 at the Company's offices at Greater London House, Hampstead Road, London NW1 7FB. The Notice of Meeting will be available to view on the Company's corporate website, www.asosplc.com, sufficiently in advance of that meeting.

On behalf of the Board



Andrew Magowan

Company Secretary
20 October 2014

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's corporate website, www.asosplc.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names, functions and short biographies are set out on pages 30 and 31 confirm that, to the best of his or her knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- the Strategic Report on pages 2 to 28 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board



Andrew Magowan

Company Secretary

20 October 2014

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASOS PLC

REPORT ON THE GROUP FINANCIAL STATEMENTS

Our opinion

In our opinion, ASOS Plc's Group financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's affairs as at 31 August 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

ASOS Plc's financial statements comprise:

- the Consolidated Statement of Financial Position as at 31 August 2014;
- the Consolidated Statement of Total Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the 'Annual Report'), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)).

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below together with an explanation of how we tailored our audit to address these specific areas. This is not a complete list of all risks identified by our audit.

Area of focus	How the scope of our audit addressed the area of focus
<p>Accounting for the ASOS Long-Term Incentive Plan Refer to page 60 (Note 5), page 71 (Note 22) and page 77 (Accounting Policies).</p> <p>The ASOS Long-Term Incentive Plan (ALTIP) is a complex plan as a result of its different components, known as the Mornington Scheme and the LTIP Scheme.</p> <p>The Company made amendments to the Plan in the year such that below Board management were offered awards in the LTIP Scheme rather than the Mornington Scheme. There was therefore a judgement as to whether the amendments met the definition of a modification or a cancellation under the requirements of IFRS 2 'Share-based payments'. An incorrect judgement would lead to a material impact on the IFRS 2 charge in the income statement and therefore the profit for the year presented in the accounts due to differing accounting treatments being applied depending on the judgement made.</p> <p>As the vesting of the ALTIP is based on certain performance conditions, there is additionally a judgement as to whether the scheme is likely to vest or not. This judgement also has a significant impact on the accounting implications for the charge recorded under the requirements of IFRS 2, as an expectation that the plan will not vest leads to the reversal of all previous charges through the income statement.</p>	<p>We obtained and read the documentation setting out the amendments made to the scheme rules in the year to obtain an understanding of those amendments. This enabled us to evaluate whether management's assessment that the changes to the scheme were a modification under IFRS 2 and whether this was appropriate and supported by the documentation.</p> <p>We then assessed whether the accounting for the modifications to the scheme, and the associated disclosures, were in accordance with IFRS 2. In assessing the accounting:</p> <ul style="list-style-type: none">■ we read and assessed the external valuation prepared by management's experts; and■ we discussed and challenged management regarding the appropriateness of the assumptions used by testing the valuation methodology applied and the key assumptions used, being the fair value of the option before and after the modification. <p>With regards to the likelihood of the ALTIP vesting, we obtained management's forecasts (which had been agreed by the Board of Directors) which determined whether the ALTIP will vest or not. We performed independent sensitivity analysis in order to assess the appropriateness of the forecast and evaluated management's conclusion that the vesting conditions of the ALTIP are not expected to be met.</p>
<p>Accounting for insurance claims related to the global fulfilment centre fire Refer to page 3 (Chairman's Statement), and page 59 (Note 4).</p> <p>In June 2014, a fire at the global fulfilment centre in Barnsley resulted in loss of or significant damage to inventory together with additional operational costs being incurred such as reprocessing and extra staff costs to remediate the warehouse. These costs totalled £8.5m.</p> <p>Additionally, the ASOS.com website was unavailable for trading for two days while the damage from the fire was assessed, remediated and the fulfilment centre was returned to full working order.</p> <p>The consequences of the fire led to a loss of earnings during the period whilst the company was unable to trade. As a result, management submitted material insurance claims to cover the losses incurred.</p> <p>The risk is twofold, firstly whether the costs associated with damaged inventory and additional operating costs are not overstated and, secondly, whether the income and asset is correctly accounted for, or disclosed, in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'.</p> <p>At the year end cash receipts of £11.5m relating to the insurance claim had been received.</p>	<p>We obtained and read the insurance claims made by management in respect of the fire, together with supporting documentation prepared by management.</p> <p>We agreed insurance recoveries received to date of £11.5m to bank statements. No further income has been recognised in the income statement over and above the £11.5m.</p> <p>We agreed the costs of £8.5m to invoices and other documentation supplied by the third-party warehouse management company.</p> <p>We read correspondence between the Company and the insurance claims handler to support management's view of the maximum outstanding insurance claim.</p> <p>We assessed whether the disclosure of the insurance claims as a contingent asset is in accordance with IAS 37 and agreed the disclosure to supporting documentation.</p>

Area of focus

How the scope of our audit addressed the area of focus

Existence and valuation of inventory

Refer to page 77 (Accounting Policies).

As a result of the fire at the global fulfilment centre in Barnsley, there is a risk that the existence of the remaining inventory at the fulfilment centre, which at the year end amounted to £143.5m, could be overstated if it still included inventory items which had been written-off following the fire.

In addition, there is a risk that the inventory remaining following the fire has not been correctly valued at the lower of cost and net realisable value (NRV) in accordance with the Group's policy.

We attended a number of perpetual inventory cycle counts at the Barnsley global fulfilment centre during the year and inspected documentation for a further sample to assess the operational effectiveness of the perpetual inventory cycle count controls in place both before and after the fire.

We obtained evidence of management's monitoring of the cycle count processes in the UK and China to determine whether all stock lines at all locations had been counted at least once during the financial year.

Following the heightened risks identified in inventory following the fulfilment centre fire, we performed an additional independent inventory count at the year end to assess the existence, accuracy and completeness of stock quantities included in the inventory system at the global fulfilment centre.

Independent confirmations were obtained for inventory held at this location from the third party warehouse management company.

We discussed, understood and tested management's process for calculating both the ageing and NRV provisions across all sites to assess that the methodology was in line with prior year and that it remained appropriate given the Company's current circumstances.

We tested the methodology to determine that it calculates the NRV provision required on a stock keeping unit (SKU) by SKU basis by testing a sample of SKUs and agreeing that the cost of the inventory was lower than the selling prices shown and those advertised on the website.

Capitalisation of assets

Refer to pages 64 and 65 (Notes 12 and 13), page 78 (Accounting Policies).

During the year the Company capitalised £31.3m of costs as tangible assets and £33.3m as intangible assets relating to a number of website and software related projects.

Given the increased capital expenditure during the year there is a risk that both external and internally generated expenditure relating to new projects is incorrectly capitalised instead of being written off through the income statement.

With respect to the internally generated expenditure capitalised, there is also a risk that staff costs capitalised have been incorrectly allocated to capital projects and does not meet the criteria for capitalisation under IAS 38 'Intangible assets'.

We performed testing of management's operational controls in relation to the review of significant capital acquisitions and dead projects which are designed to ensure that only valid project spend which will generate future economic inflows to the Company are capitalised.

We tested all individually material tangible additions in the period to ensure they have been appropriately capitalised in line with IAS16.

In relation to the significant warehouse extension and automation project, we read the contractual terms of the project with the third party and determined whether the recognition of assets in construction was in line with the contract's stage payments.

In relation to the capitalisation of internal staff costs, we tested a sample of costs by understanding and assessing whether the nature of the project was in line with IAS 38 and agreeing the amounts allocated back to payroll records and other supporting documentation. As part of this testing we understood the nature of the project to which the staff costs relate, discussed with management their rationale for capitalisation and then independently assessed whether economic benefits are likely to flow from the project.

Risk of fraud in revenue recognition

Refer to page 58 (Note 3), page 76 (Accounting Policies).

We have identified a risk of fraud in relation to both the occurrence and accuracy of revenue for the year as management may be incentivised or pressured to overstate revenue in light of recent profit warnings and the loss of revenue resulting from the fire at the global fulfilment centre.

We tested material manual journal entries impacting revenue in the year by understanding the rationale for the journal and agreeing to supporting documentation.

We used computer assisted auditing techniques to test revenue transactions through to cash received and thereby identified any unusual revenue transactions which were not settled by cash or had a corresponding debtor outstanding at the year end. For any material unusual transactions identified, we understood the business rationale for the transaction and agreed the revenue to supporting documentation.

We discussed the revenue recognition policy with management and obtained management's quantitative assessment of the impact of recognising revenue on despatch rather than delivery to demonstrate whether there is a material difference or not between the two bases. We independently tested the calculations prepared by management by testing carrier terms to contractual documentation and sales values to system generated sales reports.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

ASOS Plc trades internationally through the ASOS.com website. All trading activity is recorded in the ASOS.com entity with the exception of transactions in China which are recorded in a separate entity,

ASOS China. The central accounting function and financial reporting procedures are performed from the UK headquarters with submissions for ASOS China being received on a monthly basis.

Our group scoping considerations for the Group were based both on financial information and risk. ASOS.com represents the majority of the trading results for the Group and as such is the only reporting unit which required an audit of the complete financial information. Specified audit procedures were performed over ASOS China due to our risk assessment of the component and the fact that the entity's business is in its infancy. We engaged the PwC firm in China, which is familiar with the local laws and

regulations, to perform the specified audit procedures on ASOS China. We determined the level of involvement we needed to have in that work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. The specified audit procedures were limited to those in relation to trade payables, inventory and cash. Additionally specified audit procedures were performed over intangible assets for ASOS Marketplace due to the material nature of the balance at the year end.

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£2,345,000 (2013: 2,700,000).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £117,000 (2013: £135,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibility set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

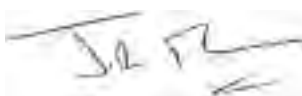
We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OTHER MATTER

We have reported separately on the Company financial statements of ASOS Plc for the year ended 31 August 2014.



John Minards

Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
20 October 2014

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year to 31 August 2014

	Note	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
Revenue	3	975,470	769,396
Cost of sales		(490,463)	(370,816)
Gross profit		485,007	398,580
Distribution expenses		(147,303)	(115,172)
Administrative expenses		(294,108)	(228,953)
Warehouse fire: stock loss and other incremental costs	4	(8,486)	–
Warehouse fire: insurance reimbursements	4	11,536	–
Net other income	4	3,050	–
Operating profit	4	46,646	54,455
Finance income	6	312	283
Finance expense	7	(57)	(68)
Profit before tax		46,901	54,670
Income tax expense	8	(10,313)	(13,744)
Profit for the year		36,588	40,926
Net translation movements offset in reserves		(176)	(45)
Net fair value gains on derivative financial assets ¹	21	2,015	225
Other comprehensive income for the year		1,839	180
Total comprehensive income for the year		38,427	41,106
Profit/(loss) for the year attributable to:			
Owners of the parent company		36,950	40,928
Non-controlling interest	19	(362)	(2)
		36,588	40,926
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent company		38,789	41,108
Non-controlling interest	19	(362)	(2)
		38,427	41,106
Earnings per share			
Basic	9	44.6p	50.1p
Diluted	9	44.5p	49.2p

¹ Net fair value gains on derivative financial assets will be reclassified to profit or loss during the year to 31 August 2015.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year to 31 August 2014

	Note	Called up share capital £'000	Share premium £'000	Retained earnings ¹ £'000	Employee Benefit Trust reserve £'000	Hedging reserve £'000	Translation reserve £'000	Equity attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 September 2012		2,854	6,105	99,492	(2,464)	-	-	105,987	-	105,987
Shares allotted in the year	18	36	263	-	-	-	-	299	-	299
Net cash received on exercise of shares from Employee Benefit Trust		-	-	-	160	-	-	160	-	160
Transfer of shares from Employee Benefit Trust on exercise		-	-	(534)	534	-	-	-	-	-
Share-based payments charge		-	-	4,005	-	-	-	4,005	-	4,005
Profit/(loss) for the year		-	-	40,928	-	-	-	40,928	(2)	40,926
Other comprehensive income/(loss) for the year		-	-	-	-	225	(45)	180	-	180
Deferred tax on share options	17	-	-	991	-	-	-	991	-	991
Current tax on items taken directly to equity	8	-	-	7,251	-	-	-	7,251	-	7,251
At 31 August 2013		2,890	6,368	152,133	(1,770)	225	(45)	159,801	(2)	159,799
Shares allotted in the year	18	30	533	-	-	-	-	563	-	563
Net purchase of shares by Employee Benefit Trust		-	-	-	(3,914)	-	-	(3,914)	-	(3,914)
Transfer of shares from Employee Benefit Trust on exercise		-	-	(354)	354	-	-	-	-	-
Share-based payments credit		-	-	(2,813)	-	-	-	(2,813)	-	(2,813)
Profit/(loss) for the year		-	-	36,950	-	-	-	36,950	(362)	36,588
Other comprehensive income/(loss) for the year		-	-	-	-	2,015	(176)	1,839	-	1,839
Acquisition of subsidiary	10	-	-	-	-	-	-	-	(42)	(42)
Deferred tax on share options	17	-	-	(8,730)	-	-	-	(8,730)	-	(8,730)
Current tax on items taken directly to equity	8	-	-	9,741	-	-	-	9,741	-	9,741
At 31 August 2014		2,920	6,901	186,927	(5,330)	2,240	(221)	193,437	(406)	193,031

1 Retained earnings includes the share-based payments reserve.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2014

	Note	31 August 2014 £'000	31 August 2013 £'000
Non-current assets			
Goodwill	11	1,325	1,060
Other intangible assets	12	62,576	38,626
Property, plant and equipment	13	55,400	30,031
Deferred tax asset	17	-	8,902
		119,301	78,619
Current assets			
Inventories		161,480	143,348
Trade and other receivables	14	20,385	18,420
Derivative financial assets	21	2,240	225
Current tax asset		2,217	-
Cash and cash equivalents	20	74,340	71,139
		260,662	233,132
Current liabilities			
Trade and other payables	16	(185,539)	(149,511)
Current tax liability		-	(2,441)
		(185,539)	(151,952)
Net current assets		75,123	81,180
Non-current liabilities			
Deferred tax liability	17	(1,393)	-
Net assets		193,031	159,799
Equity attributable to owners of the parent			
Called up share capital	18	2,920	2,890
Share premium		6,901	6,368
Employee Benefit Trust reserve		(5,330)	(1,770)
Hedging reserve		2,240	225
Translation reserve		(221)	(45)
Retained earnings		186,927	152,133
Total		193,437	159,801
Non-controlling interest	19	(406)	(2)
Total equity		193,031	159,799

Notes 1 to 27 are an integral part of the financial statements.

The consolidated financial statements of ASOS Plc, registered number 4006623, on pages 53 to 78, were approved by the Board of Directors and authorised for issue on 20 October 2014 and were signed on its behalf by:



Nick Robertson



Nick Beighton

Directors

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year to 31 August 2014

	Note	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
Operating profit		46,646	54,455
Adjusted for:			
Depreciation of property, plant and equipment	4	5,860	7,005
Amortisation of other intangible assets	4	9,501	6,479
Loss on disposal of non-current assets	4	150	298
Increase in inventories		(18,352)	(42,882)
(Increase)/decrease in trade and other receivables		(1,844)	787
Increase in trade and other payables		33,522	47,486
Share-based payments (credit)/charge		(2,813)	4,005
Other non-cash items		(297)	(104)
Income tax paid		(3,714)	(3,353)
Net cash generated from operating activities		68,659	74,176
Investing activities			
Payments to acquire other intangible assets		(32,627)	(21,770)
Payments to acquire property, plant and equipment		(29,750)	(9,558)
Finance income		296	240
Acquisition of subsidiary, net of cash acquired		182	36
Net cash used in investing activities		(61,899)	(31,052)
Financing activities			
Proceeds from issue of ordinary shares		563	299
Net cash (outflow)/inflow relating to Employee Benefit Trust		(3,914)	160
Finance expense		(65)	(328)
Net cash (used in)/generated from financing activities		(3,416)	131
Net increase in cash and cash equivalents		3,344	43,255
Opening cash and cash equivalents		71,139	27,884
Effect of exchange rates on cash and cash equivalents		(143)	–
Closing cash and cash equivalents	20	74,340	71,139

NOTES TO THE FINANCIAL STATEMENTS

For the year to 31 August 2014

1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the course of preparing the financial statements, management necessarily makes estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Actual results may differ from the initial estimate or judgement and any subsequent changes are accounted for with an effect on the financial statements at the time such updated information becomes available.

The estimates and assumptions which have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities are:

Inventory valuation

Inventory is carried at the lower of cost and net realisable value, on a weighted average cost basis, which requires estimation of products' future selling prices.

Refund accruals

Accruals for sales returns are estimated on the basis of historical returns and are recorded so as to allocate them to the same period in which the original revenue is recorded. These accruals are reviewed regularly and updated to reflect management's latest best estimates, although actual returns could vary from these estimates.

Calculation of share-based payment expenses

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted, using an appropriate valuation model selected according to the terms and conditions of the grant. Judgement is applied in determining the most appropriate valuation model and in determining the inputs to the model. Third-party experts are engaged to advise in this area where necessary. Judgements are also applied in relation to estimations of the number of options that will vest, by reference to historic leaver rates and expected outcomes under relevant performance conditions.

Depreciation of property, plant and equipment and amortisation of computer software

Depreciation and amortisation are provided to write down assets to their residual values over their estimated useful lives. The determination of these residual values and estimated lives requires the exercise of management judgement.

Impairment of property, plant and equipment and computer software

Property, plant and equipment and computer software are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared using management's assumptions and estimates.

Legal contingencies

Where legal proceedings are brought against the Group and material future economic outflow is considered possible but not probable, or cannot be reliably measured, the Group discloses the nature of the contingent liability in the notes to the financial statements but does not recognise a liability in respect of the contingency. A liability is recognised only when a future economic outflow is probable and the amount of that outflow can be reliably measured. Judgement is required in both the probability determination and as to whether the Group's exposure can be reliably estimated.

2 CHANGES TO ACCOUNTING POLICIES

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year to 31 August 2013. Various new accounting standards and amendments were issued during the year, none of which have had or are expected to have any significant impact on the Group, and none of which have been adopted early.

Accounting policy references are included in the relevant notes throughout the financial statements and also in Note 27.

3 SEGMENTAL ANALYSIS

IFRS 8 'Operating Segments' requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be the Executive Board and it has determined that the primary segmental reporting format of the Group is geographical by customer location, based on the Group's management and internal reporting structure.

The Executive Board assesses the performance of each segment based on revenue and gross profit after distribution expenses, which excludes administrative expenses.

See Note 27 for the Group's accounting policy on revenue recognition.

	Year to 31 August 2014				
	UK £'000	US £'000	EU £'000	RoW £'000	Total £'000
Retail sales	372,241	92,311	256,385	234,358	955,295
Delivery receipts	7,412	1,773	3,162	3,604	15,951
Third-party revenues	4,224	-	-	-	4,224
Internal revenues	111	-	-	7,654	7,765
Total segment revenues	383,988	94,084	259,547	245,616	983,235
Eliminations	(111)	-	-	(7,654)	(7,765)
Total revenues	383,877	94,084	259,547	237,962	975,470
Cost of sales	(207,853)	(40,137)	(126,460)	(116,013)	(490,463)
Gross profit	176,024	53,947	133,087	121,949	485,007
Distribution expenses	(39,618)	(28,804)	(37,062)	(41,819)	(147,303)
Segment result	136,406	25,143	96,025	80,130	337,704
Administrative expenses					(294,108)
Net other income					3,050
Operating profit					46,646
Finance income					312
Finance expense					(57)
Profit before tax					46,901

Internal revenues relate principally to the sale of products from ASOS.com Limited to ASOS (Shanghai) Commerce Co. Limited.

	Year to 31 August 2013				
	UK £'000	US £'000	EU £'000	RoW £'000	Total £'000
Retail sales	276,027	77,678	177,708	222,394	753,807
Delivery receipts	5,314	1,456	2,212	3,028	12,010
Third-party revenues	3,579	-	-	-	3,579
Total revenue	284,920	79,134	179,920	225,422	769,396
Cost of sales	(148,685)	(32,687)	(88,865)	(100,579)	(370,816)
Gross profit	136,235	46,447	91,055	124,843	398,580
Distribution expenses	(26,140)	(27,804)	(27,046)	(34,182)	(115,172)
Segment result	110,095	18,643	64,009	90,661	283,408
Administrative expenses					(228,953)
Operating profit					54,455
Finance income					283
Finance expense					(68)
Profit before tax					54,670

Due to the nature of its activities, the Group is not reliant on any individual major customers.

No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly management accounts therefore no measure of segmental assets or liabilities is disclosed in this Note.

There are no material non-current assets located outside the UK.

4 OPERATING PROFIT

Year to
31 August 2014
£'000

Year to
31 August 2013
£'000

a) Operating profit is stated after charging/(crediting):

Depreciation of property, plant and equipment	5,860	7,005
Amortisation of other intangible assets	9,501	6,479
Loss on disposal of property, plant and equipment ¹	49	143
Loss on disposal of other intangible assets ¹	101	155
Cost of inventory recognised as an expense	490,120	373,274
Adjustment to inventories to net realisable value	4,207	(563)
Net foreign exchange gains	(1,550)	(562)
Operating leases	7,072	4,539
Net other income	(3,050)	–

b) Auditors' remuneration:

Audit and audit-related services		
Statutory audit of parent company and consolidated financial statements	45	39
Statutory audit of the Company's subsidiaries pursuant to legislation	173	148
Total	218	187

Other services:

Fees payable to Company's auditors for other services		
Taxation compliance	5	29
All other services	97	231
Total fees for other services	102	260

Costs relating to the audit and non-audit services of the parent company are borne by ASOS.com Limited.

The policy for the approval of non-audit fees is set out in the Corporate Governance Report on page 35.

Net other income arising as a result of a fire in the Group's main fulfilment centre in June 2014 is composed as follows:

Year to
31 August 2014
£'000

Year to
31 August 2013
£'000

Stock loss and other incremental costs	8,486	–
Insurance reimbursements	(11,536)	–
Total	(3,050)	–

The above includes insurance reimbursements related to stock loss and other incremental costs plus a portion of business interruption losses. Negotiation of the remainder of the Group's business interruption claim is ongoing. See Note 15 for further details.

¹ Including losses on disposal recognised within net other income.

5 STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

The Group's monthly average number of employees during the year was as follows:

	Year to 31 August 2014	Year to 31 August 2013
By activity:		
Fashion	492	386
Operations	912	638
Technology	223	140
	1,627	1,164

The Group's employee costs, including directors, during the year were as follows:

	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
Wages and salaries	60,147	50,251
Social security costs	6,371	4,600
Other pension costs	1,883	1,102
Share-based payment (credit)/charge (Note 22)	(2,813)	4,005
	65,588	59,958

Wages and salaries include a charge of £0.8m in the year to 31 August 2014 (2013: £nil) related to a waiver of excess loan balances due from participants in the ASOS Long-Term Incentive Plan, following the modification of this plan in July 2014. See further details in Note 26.

The Group contributes to the personal pension plans of certain employees under a defined contribution scheme. The costs of these contributions are charged to the Statement of Comprehensive Income on an accruals basis as they become payable under the scheme rules.

The aggregate amount of salaries deemed to relate exclusively to capital projects was £9.5m (2013: £4.6m). This amount has been capitalised and is not included above.

The aggregate compensation to key management personnel, being the Directors of ASOS Plc (Executive and Non-Executive) plus the members of the Executive Board of ASOS.com Limited, was as follows:

	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
Short-term employee benefits	3,576	5,390
Post-employment benefits	116	223
Share-based payment (credit)/charge	(2,376)	1,925
	1,316	7,538

One Director of ASOS Plc exercised share options during the year to 31 August 2014 (2013: three Directors of ASOS Plc and one member of the Executive Board of ASOS.com Limited), with an aggregate gain of £41.4m (2013: £27.6m). In addition, three Directors of ASOS Plc and one member of the Executive Board of ASOS.com Limited (2013: four Directors of ASOS Plc and one member of the Executive Board of ASOS.com Limited) exchanged shares in ASOS.com Limited for shares in ASOS Plc under the terms of the Management Incentive Plan (MIP). Aggregate gains made by key management personnel as a result of this share exchange were £92.6m (2013: £39.7m).

The highest paid Director made aggregate gains of £78.6m on exercise of share options and share exchange under the MIP during the year (2013: £15.9m).

Directors' aggregate emoluments and pension payments are detailed in the Directors' Remuneration Report on pages 42 to 44, along with Directors' interests in issued shares and share options.

6 FINANCE INCOME

Finance income receivable on cash and cash equivalents is recognised in the Statement of Comprehensive Income as it is earned.

	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
Interest receivable on cash and cash equivalents	312	283

7 FINANCE EXPENSE

Finance expense is recognised in the Statement of Comprehensive Income as incurred and as part of cash flows generated from financing activities in the Statement of Cash Flows.

	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
Interest payable on bank overdraft	57	68

8 INCOME TAX EXPENSE

See Note 27 for the Group's accounting policy on taxation.

	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
Tax on profit	9,873	13,633
Adjustment in respect of prior year corporation tax	(1,081)	(89)
Total current tax charge	8,792	13,544
Deferred tax		
– Origination and reversal of temporary differences	834	285
– Effect of restatement of deferred tax opening balances to substantially enacted tax rate ¹	–	(22)
– Adjustment in respect of prior year	687	(63)
Total deferred tax charge (Note 17)	1,521	200
Tax on profit	10,313	13,744
<i>Effective tax rate</i>	22.0%	25.1%

1 Year to 31 August 2014: no restatement of deferred tax opening balances as no change to substantially enacted UK tax rate.
Year to 31 August 2013: restatement of opening balances from 23% as at 31 August 2012 to 21% as at 31 August 2013 where items are expected to be settled between 1 April 2014 and 31 March 2015, and to 20% where items are expected to be settled on or after 1 April 2015.

RECONCILIATION OF TAX CHARGE

The tax on the Group's profit before tax differs from the income tax expense as follows:

	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
Profit before tax	46,901	54,670
Tax on profit at standard rate of UK corporation tax of 22.16% (2013: 23.6%)	10,393	12,891
Effects of:		
Expenses not deductible for taxation purposes	532	926
Non-taxable income	(683)	–
Overseas tax	21	–
Rate differences: overseas tax	(211)	16
Rate differences: UK tax	(122)	(17)
Deferred tax assets not provided	762	34
Tax adjustments on share-based payments	10	55
Unpaid consortium relief	–	(9)
Adjustment in respect of prior years	(389)	(152)
Tax on profit	10,313	13,744

8 INCOME TAX EXPENSE (continued)

TAX ON RECOGNISED INCOME AND EXPENSES NOT INCLUDED IN THE STATEMENT OF COMPREHENSIVE INCOME

	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
Current tax credit on exercise of share options	9,741	7,251
Deferred tax (charge)/credit on movement in tax base of share options	(8,730)	991
	1,011	8,242

These amounts have been recognised in equity and are included in the Consolidated Statement of Changes in Equity on page 54.

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year. Own shares held by the Employee Benefit Trust and Capita Trust are eliminated from the weighted average number of ordinary shares.

Diluted earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the period, adjusted for the effects of potentially dilutive share options.

	Year to 31 August 2014	Year to 31 August 2013
Weighted average shares in issue for basic earnings per share (no. of shares)	82,845,587	81,751,253
Weighted average effect of dilutive options (no. of shares)	279,864	1,374,566
Weighted average shares in issue for diluted earnings per share (no. of shares)	83,125,451	83,125,819
Earnings attributable to owners of the parent company (£'000)	36,950	40,928
Basic earnings per share	44.6p	50.1p
Diluted earnings per share	44.5p	49.2p

10 ACQUISITION OF SUBSIDIARY

On 29 November 2013, the Group entered into a cross option agreement ('the agreement') with the shareholders of Covetique Limited ('Covetique'). ASOS purchased 30% of the issued share capital of Covetique immediately prior to this date, and the carrying value of this existing shareholding was £100,000 at the acquisition date. Under the terms of the agreement, ASOS is granted certain rights in the ongoing management of Covetique, including the right to make three appointments to Covetique's board of five directors. As a result, ASOS is deemed to control Covetique and Covetique has been accounted for as a subsidiary of the ASOS Group from 29 November 2013.

The agreement also includes a put and call option on the remaining 70% share capital, which matures in 2016 at a cash consideration which is contingent upon certain elements of Covetique's performance during the three years to 30 November 2016.

Covetique is based in the UK and operates an online marketplace for luxury fashion brands. The controlling shareholding was acquired to maximise value creation for the Covetique business through the leveraging of resources of the ASOS Group.

The following table gives details of the fair values of the assets and liabilities acquired and the consideration paid:

	Fair value £'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	182
Intangible assets	249
Property, plant and equipment	2
Net receivables	23
Current liabilities	(515)
Total identifiable net liabilities	(59)
Goodwill (Note 11)	265
Total consideration	206
Satisfied by:	
Fair value of original investment	248
Cash consideration	-
Amount of non-controlling interest	(42)
Total	206
Net cash inflow arising on acquisition:	
Cash and cash equivalent balances acquired	182
Less: cash consideration	-
Cash and cash equivalent balances acquired	182

The goodwill recognised as a result of this business combination reflects the expected future potential of the Covetique business under the influence of the Group.

A non-controlling interest in the net liabilities of Covetique of £42,000 was recognised at the acquisition date, based on the proportionate share of the acquired net liabilities.

A gain of £147,000 has been recognised within administrative expenses in the Statement of Comprehensive Income as a result of remeasuring to fair value the Group's existing equity interest in Covetique.

Gross trade receivables as at the acquisition date amounted to £nil. The best estimate at the acquisition date of the contractual cash flows not expected to be collected was £nil.

There were no acquisition-related costs.

At the acquisition date, the Group also recognised a long-term liability reflecting the fair value of the put option to acquire the remaining 70% of Covetique's issued share capital. Changes to the carrying value of this liability are recognised within the retained earnings reserve. The fair value is calculated based on the Group's expectation of what it will pay in relation to the post-acquisition performance of Covetique, by weighting the probability of a range of payments to give an estimate of the final obligation. The fair value of the liability was £nil at 31 August 2014.

Prior year acquisition

On 31 May 2013, the Group acquired 45% of the issued share capital of Crooked Tongues Limited, an online footwear retailer based in the UK, in exchange for a cash consideration of £1. Prior to this date, the Group held 50% of the issued share capital of Crooked Tongues Limited and accounted for the joint venture under the equity method. The carrying value and fair value of the joint venture was £nil at 31 May 2013. On assumption of the controlling shareholding, the Group acquired cash balances of £36,000 and identifiable net assets with a fair value of £nil.

11 GOODWILL

See Note 27 for the Group's accounting policy on goodwill.

	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
Carrying value at start of year	1,060	1,060
Additions	265	–
Carrying value at end of year	1,325	1,060

Historic goodwill relates to the acquisition of ASOS.com Limited, a 100% subsidiary of the Group. Additions during the year relate to the acquisition of Covetique Limited; see further detail in Note 10.

Goodwill is not amortised, but tested annually for impairment with the recoverable amount being determined from value-in-use calculations. Goodwill has been allocated for impairment testing purposes to cash-generating units (CGUs), which include the geographical business segments as described in Note 3. The key assumptions for the value-in-use calculations are the long-term growth rate and the discount rates. Value-in-use was calculated from cash flow projections for five years using data from the Group's latest results and financial forecasts approved by the Board. The budgeted cash flow assumes a growth rate which is higher than the long-term growth rate of the UK economy, based on the Group's recent performance and current performance expectations. Management has determined that no impairment of goodwill was necessary in the current financial period (2013: £nil). No reasonably possible change in the assumptions used in the value-in-use calculations could result in a material impairment of goodwill.

12 OTHER INTANGIBLE ASSETS

See Note 27 for the Group's accounting policy on intangible assets.

	Domain names £'000	Other intangible assets £'000	Assets under construction £'000	Total £'000
Cost				
At 1 September 2012	–	28,544	730	29,274
Additions	–	8,326	14,758	23,084
Transfers	–	2,799	(2,799)	–
Disposals	–	(606)	(24)	(630)
At 31 August 2013	–	39,063	12,665	51,728
Additions	118	12,633	20,553	33,304
Transfers	–	9,152	(9,152)	–
Acquisition of subsidiary	–	249	–	249
Disposals	–	14	(116)	(102)
Exchange differences	–	(1)	–	(1)
At 31 August 2014	118	61,110	23,950	85,178
Accumulated amortisation				
At 1 September 2012	–	7,098	–	7,098
Charge for the year	–	6,479	–	6,479
Disposals	–	(475)	–	(475)
At 31 August 2013	–	13,102	–	13,102
Charge for the year	–	9,501	–	9,501
Disposals	–	(1)	–	(1)
At 31 August 2014	–	22,602	–	22,602
Net book amount				
At 31 August 2014	118	38,508	23,950	62,576
At 31 August 2013	–	25,961	12,665	38,626

All domain names have been determined to have an indefinite useful life as they relate to ongoing use of the ASOS brand, and are assessed for impairment annually based on their value-in-use. Domain names have been allocated for impairment testing based on the territory to which they relate. No impairment charge in respect of domain names has been recognised during the year (2013: £nil).

During the year, estimates of the useful economic life of certain intangible assets were amended to reflect the period over which the Group expects to obtain value from these assets. The estimated impact of this change in accounting estimates during the year to 31 August 2014 is £1.4m. It is not practical to calculate the impact of this in future years.

13 PROPERTY, PLANT AND EQUIPMENT

See Note 27 for the Group's accounting policy on property, plant and equipment.

	Fixtures and fittings £'000	Computer equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 1 September 2012	25,108	14,856	721	40,685
Additions	6,209	122	3,555	9,886
Transfers	943	–	(943)	–
Disposals	(1,689)	(2,622)	(52)	(4,363)
At 31 August 2013	30,571	12,356	3,281	46,208
Additions	4,445	853	25,999	31,297
Transfers	3,045	–	(3,045)	–
Acquisition of subsidiary	1	1	–	2
Disposals	(1,432)	(1,311)	–	(2,743)
Exchange differences	(8)	(13)	–	(21)
At 31 August 2014	36,622	11,886	26,235	74,743
Accumulated depreciation				
At 1 September 2012	4,676	8,711	5	13,392
Charge for the year	5,117	1,893	(5)	7,005
Disposals	(1,609)	(2,611)	–	(4,220)
At 31 August 2013	8,184	7,993	–	16,177
Charge for the year	4,068	1,792	–	5,860
Disposals	(1,384)	(1,310)	–	(2,694)
Exchange differences	1	(1)	–	–
At 31 August 2014	10,869	8,474	–	19,343
Net book amount				
At 31 August 2014	25,753	3,412	26,235	55,400
At 31 August 2013	22,387	4,363	3,281	30,031

During the year, estimates of the useful economic life of certain items of property, plant and equipment were amended to reflect the period over which the Group expects to obtain value from these assets. The estimated impact of this change in accounting estimates during the year to 31 August 2014 is £0.5m. It is not practical to calculate the impact of this in future years.

14 TRADE AND OTHER RECEIVABLES

Trade and other receivables are non-interest bearing and are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that amounts will not be recovered. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Any provision made against an impaired receivable is recognised within revenue in the Statement of Comprehensive Income.

	31 August 2014 £'000	31 August 2013 £'000
Trade receivables	7,956	4,967
Provision for doubtful debts	(303)	(314)
Trade receivables net of provision for doubtful debts	7,653	4,653
Prepayments	8,667	3,419
Other receivables	4,065	10,348
	20,385	18,420

All other receivables are non-interest bearing. Included in other receivables are VAT receivables of £1,551,971 (2013: £7,220,387).

The fair value of trade and other receivables is not materially different from their carrying value.

Trade and other receivables fall into the 'loans and receivables' category of the Group's financial assets.

At 31 August 2014 trade receivables with a gross value of £528,464 were individually determined to be impaired (2013: £320,829) and the provision for impairment of these trade receivables was £303,037 (2013: £313,751). The other classes within trade and other receivables do not contain impaired assets.

Movements on the provision for impairment of trade receivables are as follows:

	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
At start of year	(314)	(231)
Credited/(charged) during the year	11	(83)
At end of year	(303)	(314)

As at 31 August 2014, trade receivables of £278,225 were past due but not impaired (2013: £466,495). These relate to a number of independent third parties for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	31 August 2014 £'000	31 August 2013 £'000
Three to six months	267	354
More than six months	11	112
	278	466

Management believes that all unimpaired receivables are fully recoverable.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The Group does not hold any collateral as security.

15 CONTINGENT ASSET

Contingent assets are recognised only when recoverability is deemed to be virtually certain.

The Group expects to receive further insurance reimbursements of up to £11.0m during the year to 31 August 2015 in respect of business interruption losses following the fulfilment centre fire in June 2014. Claim negotiations are ongoing and the Group did not recognise any amount in respect of this in the financial statements for the year to 31 August 2014 as recoverability and amount are not yet virtually certain.

16 TRADE AND OTHER PAYABLES

Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

	31 August 2014 £'000	31 August 2013 £'000
Trade payables ¹	27,399	23,187
Taxation and social security	4,058	6,325
Accruals ¹	79,520	93,877
Other payables	74,562	26,122
	185,539	149,511

¹ Amounts representing goods received for which no invoice has been received at the reporting date have been reclassified from trade payables to accruals during the year to 31 August 2014. Prior year comparatives have also been reclassified.

The fair value of trade, other payables and accruals is not materially different from their carrying value.

17 DEFERRED TAX (LIABILITY)/ASSET

	Accelerated capital allowances £'000	Share-based payments £'000	Other £'000	Total £'000
At 1 September 2012	(560)	8,464	207	8,111
(Charge)/credit to the Statement of Comprehensive Income	(109)	(167)	54	(222)
Effect of change of rate on deferred tax opening balances to 20/21% ¹	60	(16)	(22)	22
Credit to equity	-	1,354	-	1,354
Effect of change of rate on deferred tax opening balances to 20/21% ²	-	(363)	-	(363)
At 31 August 2013	(609)	9,272	239	8,902
(Charge)/credit to the Statement of Comprehensive Income	(1,846)	(360)	685	(1,521)
Deferred tax on acquisition of subsidiary	-	-	(44)	(44)
Charge to equity	-	(8,730)	-	(8,730)
At 31 August 2014	(2,455)	182	880	(1,393)

¹ Statement of Comprehensive Income.

² Statement of Changes in Equity.

The deferred tax assets and liabilities have been offset as they are due to reverse in the same jurisdiction.

The Company has losses of £246,000 (2013: £246,000) which are available for offset against future taxable profits. These have not been recognised at the year end. The Group has other losses which are available to be carried forward against future taxable profits of £5,900,000 (2013: £508,000). A deferred tax asset of approximately £880,000 relating to a portion of these losses has not been reflected in the financial statements since it is not anticipated that they will reverse in the foreseeable future.

The deferred tax asset on share-based payments is created by the temporary difference between the carrying value of outstanding share-based payment options on the Statement of Financial Position and the tax base of these options, being the estimated future tax deduction expected to crystallise on exercise of the option. The tax base is calculated by reference to the Company's share price at the reporting date and the number of share options outstanding, which has decreased during the year to 31 August 2014.

It is estimated that deferred tax assets of £300,208 (2013: £717,103) will be recovered within one year.

During the year to 31 August 2013, substantially enacted corporation tax rates were changed to 21% from 1 April 2014 and to 20% from 1 April 2015. As deferred tax assets and liabilities are measured at the tax rates that are expected to apply in periods of reversal, where relevant, deferred tax closing balances were restated during the year to 31 August 2013 using the above rates. The change of rate in the year to 31 August 2013 decreased the deferred tax asset by £363,000. There has been no change to the substantially enacted tax rate during the year to 31 August 2014.

18 CALLED UP SHARE CAPITAL

	31 August 2014 £'000	31 August 2013 £'000
Authorised:		
100,000,000 (2013: 100,000,000) ordinary shares of 3.5p each	3,500	3,500
Allotted, issued and fully paid:		
83,425,440 (2013: 82,581,006) ordinary shares of 3.5p each	2,920	2,890

Ordinary shares are classified as equity.

During the year 840,000 (2013: 1,051,695) ordinary shares of 3.5p each were issued as a result of exercise of employee share options. Total consideration received in respect of exercise of employee share options was £562,600 (2013: £299,680). A further 4,434 shares were issued to the Chairman (2013: 4,434) for zero consideration, as part of his remuneration package.

Employee Benefit Trust

The provision of shares to satisfy certain of the Group's share incentive plans is facilitated by purchases of own shares by the Group's Employee Benefit Trust and Capita Trust ('the Trusts'). Shares held by the Trusts are valued at the weighted average historical cost of the shares acquired and the carrying value is shown as a reduction within shareholders' equity. The costs of operating the Trusts are borne by the Group but are not material.

During the year to 31 August 2014, 70,963 shares (2013: 124,305) were transferred from the Trusts to employees in settlement of share options and awards in exchange for cash consideration of £534,111 (2013: £181,752), and 141,190 shares were purchased by the Trusts (2013: 54,964 shares) to satisfy future options and awards, at a cost of £4,447,700 (2013: £21,283). The Trusts have waived the right to receive dividends on these shares. At 31 August 2014, the carrying value of the 506,260 shares held by the Trusts (2013: 436,033 shares) was £5,329,823 (2013: £1,770,386).

19 NON-CONTROLLING INTERESTS

	31 August 2014 £'000	31 August 2013 £'000
At start of year	(2)	–
Share of loss for the year	(362)	(2)
Acquisition of subsidiary	(42)	–
At end of year	(406)	(2)

Non-controlling interests relate to Crooked Tongues Limited and Covetique Limited, both of which are companies incorporated in the United Kingdom. Non-controlling interests hold a 5% interest in Crooked Tongues Limited and a 70% interest in Covetique Limited.

20 RECONCILIATION OF CASH AND CASH EQUIVALENTS

	31 August 2014 £'000	31 August 2013 £'000
Net movement in cash and cash equivalents	3,344	43,255
Opening cash and cash equivalents	71,139	27,884
Effect of exchange rates on cash and cash equivalents	(143)	–
Closing cash and cash equivalents	74,340	71,139

Cash and cash equivalents comprise funds which the Group can access without restriction within a maximum of three months.

The Group has in place a £20.0m revolving loan credit facility which includes an ancillary £10.0m guaranteed overdraft facility and which is available until July 2015.

21 FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 August 2014 £'000	31 August 2013 £'000
Financial assets		
Loans and receivables	86,058	86,140
Derivative financial assets	2,240	225
Financial liabilities		
Amortised cost	(181,481)	(143,186)

'Loans and receivables' includes trade and other receivables and cash and cash equivalents, and excludes prepayments.

Included in 'financial liabilities at amortised cost' are trade payables, accruals and other payables.

Risk management

The Group's Treasury function seeks to reduce exposures to capital risk, liquidity risk, credit risk, interest rate risk and foreign currency risk, to ensure liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements. The Group's treasury policies and procedures are periodically reviewed and approved by the Audit Committee.

Capital risk

The Group's objectives when managing capital (defined as cash and cash equivalents plus equity attributable to owners of the parent) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders through an appropriate balance of debt and equity funding, whilst maintaining a strong credit rating and sufficient headroom. The Group makes adjustments to its capital structure in light of changes to economic conditions and the Group's strategic objectives. At 31 August 2014, the Group had capital of £267.8m (2013: £230.9m).

Liquidity risk

The Group manages its exposure to liquidity risk by continuously monitoring short- and long-term forecasts and actual cash flows and ensuring it has the necessary banking and reserve borrowing facilities available to meet the requirements of the business. At 31 August 2014, the Group had an undrawn revolving loan credit facility of £20.0m which includes an ancillary £10.0m guaranteed overdraft facility and is available until July 2015. Borrowings under the revolving loan credit facility bear interest at a rate of 1.20% per annum above LIBOR plus 0.25% if between 33% and 66% utilised, and plus 0.50% if over 66% utilised. Borrowings under the overdraft bear interest at 1.40% above base rate. Commitment interest of 0.48% per annum is payable on the daily undrawn balance of the total facility. Any surplus cash is placed on deposit to maximise returns on cash balances.

The Group's financial liabilities at amortised cost as at 31 August 2014 and 31 August 2013 all mature in less than one year.

Credit risk

Credit risk is the risk that a counterparty may default on its obligation to the Group in relation to lending, hedging, settlement and other financial activities. The Group's principal financial assets are trade and other receivables, bank balances, derivative financial assets and cash in hand. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts included in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The Group has a low retail credit risk due to transactions being principally of high volume, low value and short maturity. The Group's trade receivables are primarily with large advertising companies with which the Group has a long-standing relationship, and the risk of default and write-offs due to bad debts is considered to be low. The Group has no significant concentration of credit risk, as exposure is spread over a large number of counterparties and customers.

The credit risk on liquid funds is considered to be low, as the Board-approved Group Treasury Policy limits the value that can be placed with each approved counterparty to minimise the risk of loss. These limits are based on a minimum Standard and Poor's credit rating of BBB+.

Interest rate risk

The Group is exposed to cash flow interest rate risk on its floating rate bank overdraft and revolving credit facilities.

At 31 August 2014, the Group had no drawings under its revolving loan credit facility. The Group may draw down periodically on the revolving loan credit facility in the future if required but no drawdown will be long-term in nature and therefore the Group has not entered into interest rate derivatives to mitigate the interest rate risk.

21 FINANCIAL INSTRUMENTS (continued)
Foreign currency risk

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on sales denominated in US dollars, euros and Australian dollars. The Group's presentational currency is pounds sterling therefore the Group is also exposed to foreign currency translation risks due to movements in foreign exchange rates on the translation of non-sterling assets and liabilities.

The Group's policy is to match foreign currency transaction exposures where possible. Where appropriate, the Group uses financial instruments in the form of forward foreign exchange contracts to hedge future highly probable foreign currency cash flows.

	At 31 August 2014 £'000	At 31 August 2013 £'000
Fair value of derivative financial assets	2,240	225

These forward foreign exchange contracts were assessed to be highly effective at 31 August 2014 and a net unrealised gain of £2,240,000 (2013: £225,000) was recognised in equity. Cashflows related to these contracts will occur during the year to 31 August 2015, and will impact the Statement of Comprehensive Income during the same period. During the year to 31 August 2014, net gains of £225,000 (2013: £nil) were reclassified to the Statement of Comprehensive Income and included within revenue.

All derivative financial assets at 31 August 2014 are expected to mature within one year.

Financial instrument sensitivities
Foreign currency sensitivity

The Group's principal financial instrument foreign currency exposures are to US dollars, euros, Australian dollars and Chinese yuan. The table below illustrates the hypothetical sensitivity of the Group's reported profit before tax and closing equity to a 10% increase and decrease in the value of each of these currencies relative to pounds sterling at the reporting date, assuming all other variables remain unchanged. The sensitivity rate of 10% is deemed to represent a reasonably possible change based on historic exchange rate volatility.

The following assumptions were made in calculating the sensitivity analysis:

- all sensitivities affecting the Statement of Comprehensive Income also impact equity
- exchange rate fluctuations on currency derivatives that form part of an effective cash flow hedge relationship affect the fair value reserve in equity and the fair value of the hedging derivatives, with no impact on the Statement of Comprehensive Income
- all hedge relationships are fully effective
- translation of foreign subsidiaries and operations into the Group's presentation currency has been excluded from the sensitivity

Positive figures represent an increase in profit before tax or in equity.

	Profit before tax		Equity	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<i>Sterling strengthens by 10% against:</i>				
US dollar	(304)	(136)	(339)	(125)
Euro	147	10	439	21
Australian dollar	(403)	(197)	(452)	(197)
Chinese yuan	(222)	–	(222)	–
<i>Sterling weakens by 10% against:</i>				
US dollar	304	136	339	125
Euro	(147)	(10)	(439)	(21)
Australian dollar	403	197	452	197
Chinese yuan	222	–	222	–

The above sensitivities are calculated with reference to a single moment in time and are subject to change due to a number of factors including fluctuating trade payable and cash balances and changes in the currency mix. As the sensitivities are limited to financial instrument balances as at the reporting date, they do not take account of the Group's revenues and costs of sale, which are sensitive to changes in exchange rates. In addition, each of the sensitivities is calculated in isolation whilst, in reality, foreign currencies do not move independently.

Interest rate sensitivity

The Group has determined that at 31 August 2014 and 31 August 2013 there was no significant sensitivity to changes in market interest rates.

22 SHARE-BASED PAYMENTS

See Note 27 for the Group's accounting policy on share-based payments.

The Group recognised a net credit of £2.8m related to share-based payments during the year to 31 August 2014 (2013: charge of £4.0m), all of which relates to equity-settled schemes. The credit arose due to the reversal of cumulative share-based payment charges related to certain schemes, including the ASOS Long-Term Incentive Plan (ALTIP), which are no longer expected to vest under the relevant performance conditions.

Summary of movements in awards

	Save-As-You-Earn scheme (no. of shares)	Performance Share Plan (no. of shares)	Share Incentive Plan (no. of shares)	Enterprise Management Scheme and other (no. of shares)	ASOS Long-Term Incentive Plan (no. of shares)	Total (no. of shares)	Weighted average exercise price (pence)
Outstanding at 1 September 2012	211,370	186,750	–	1,891,695	–	2,289,815	127
Granted during the year	83,376	49,001	17,372	–	–	149,749	1,645
Lapsed during the year	(12,913)	(43,141)	(269)	–	–	(56,323)	263
Exercised during the year	(50,380)	(73,925)	–	(1,051,695)	–	(1,176,000)	41
Outstanding at 31 August 2013	231,453	118,685	17,103	840,000	–	1,207,241	391
Exercisable at 31 August 2013	–	–	–	840,000	–	840,000	67
Outstanding at 1 September 2013	231,453	118,685	17,103	840,000	–	1,207,241	391
Granted during the year	157,325	25,521	10,986	–	653,939	847,771	1,268
Lapsed during the year	(40,975)	(45,129)	(5,061)	–	(84,991)	(176,156)	833
Exercised during the year	(49,627)	(21,010)	(188)	(840,000)	–	(910,825)	59
Outstanding at 31 August 2014	298,176	78,067	22,840	–	568,948	968,031	1,332
Exercisable at 31 August 2014	–	–	–	–	–	–	–

Of the option grants included above under the ASOS Long-Term Incentive Plan (ALTIP), 50,640 options represent new nil-cost grants and the remainder represent modification of existing awards under this Plan. Further to this, the Chief Executive Officer and Chief Financial Officer also hold awards under this Plan with a combined face value of £8,500,000. The final number of ordinary shares required to satisfy these awards will depend upon both the extent to which the Plan's performance conditions are met and the Company's share price on the vesting date of 31 October 2016, and accordingly the number of awards cannot be readily determined and are excluded from the table above. Further details of this Plan, including the modification, are provided later in this note.

In addition to the information above, three grants of 4,434 shares were awarded to Brian McBride on his appointment as Chairman of the Company, to be settled by the issue of new ordinary shares on each of 1 November 2012, 1 November 2013 and 1 November 2014 subject only to Brian McBride still being Chairman of the Company on each date.

The weighted average share price at date of exercise of shares exercised during the year was 4,987p (2013: 2,797p).

The weighted average remaining contractual life of outstanding options at the end of the year was 2.8 years (2013: 2.0 years). The aggregate fair value of options granted in the year (excluding modification of ALTIP awards to conventional options) was £7.1m (2013: £3.1m).

22 SHARE-BASED PAYMENTS (continued)

Save As You Earn (SAYE) Scheme

Under the terms of the current SAYE Scheme, the Board grants options to purchase ordinary shares in the Company to employees who enter into an HMRC-approved SAYE Scheme for a term of three years. Options are granted at up to a 20% discount to the market price of the shares on the day preceding the date of offer and are normally exercisable for a period of six months after completion of the SAYE contract. These option grants are settled on exercise through a transfer of shares from the Employee Benefit Trust.

Date of grant	1 September 2013 (no. of shares)	Granted during the year (no. of shares)	Lapsed during the year (no. of shares)	Exercised during the year (no. of shares)	31 August 2014 (no. of shares)	Exercise price (pence)	Exercise period
08/12/10	52,687	-	(2,227)	(49,221)	1,239	1,073.0	01/03/14 – 31/08/14
06/12/11	95,390	-	(16,108)	(339)	78,943	1,177.0	01/03/15 – 31/08/15
12/06/13	83,376	-	(12,480)	(67)	70,829	2,955.0	01/08/16 – 31/01/17
08/05/14	-	145,398	(10,160)	-	135,238	3,519.0	01/07/17 – 31/12/17
04/07/14	-	11,927	-	-	11,927	2,462.0	01/08/17 – 31/01/18
	231,453	157,325	(40,975)	(49,627)	298,176		

The fair value of SAYE options granted during the current and prior year was calculated using the Black-Scholes model, assuming the following inputs:

	Year to 31 August 2014 Grant 1	Year to 31 August 2014 Grant 2	Year to 31 August 2013
Share price (pence)	3,898	3,231	4,032
Exercise price (pence)	3,519	2,462	2,955
Expected volatility	42.8%	47.6%	44.4%
Expected life (years)	3.2	3.1	3
Risk-free rate	1.23%	1.49%	0.67%
Dividend yield	-	-	-
Weighted average fair value of options (pence)	1,352	1,404	1,694

Volatility has been estimated by taking the historical volatility in the Company's share price over a three-year period.

Performance Share Plan (PSP)

Under the terms of the PSP, selected employees may be granted conditional awards to acquire ordinary shares in the Company (in the form of nil-cost options) which will only vest and become exercisable to the extent that the related earnings per share performance targets are met. No employee who participates in the ALTIP is entitled to receive grants under the PSP. These grants are settled on exercise through a transfer of shares from the Employee Benefit Trust.

Date of grant	1 September 2013 (no. of shares)	Granted during the year (no. of shares)	Lapsed during the year (no. of shares)	Exercised during the year (no. of shares)	31 August 2014 (no. of shares)	Exercise price (pence)	Exercise date
24/11/10	10,322	-	(2,106)	(8,216)	-	nil	24/11/13
28/01/11	3,726	-	(762)	(2,964)	-	nil	28/01/14
06/07/11	29,164	-	(19,334)	(9,830)	-	nil	06/07/14
28/09/11	10,543	-	(6,498)	-	4,045	nil	28/09/14
08/02/12	7,185	-	(260)	-	6,925	nil	08/02/15
28/05/12	9,800	-	-	-	9,800	nil	28/05/15
18/12/12	47,945	-	(11,384)	-	36,561	nil	18/12/15
24/10/13	-	24,837	(4,785)	-	20,052	nil	24/10/16
11/06/14	-	684	-	-	684	nil	11/06/17
	118,685	25,521	(45,129)	(21,010)	78,067		

22 SHARE-BASED PAYMENTS (continued)

The fair value of PSP options granted during the current and prior year was calculated using the Black-Scholes model, assuming the following inputs:

	Year to 31 August 2014		Year to 31 August 2013
	Grant 1	Grant 2	
Share price (pence)	5,205	3,300	2,582
Exercise price (pence)	-	-	-
Expected volatility	43.7%	47.1%	45.9%
Expected life (years)	3	3	3
Risk-free rate	0.84%	1.28%	0.53%
Dividend yield	-	-	-
Weighted average fair value of options (pence)	5,205	3,300	2,582

Volatility has been estimated by taking the historical volatility in the Company's share price over a three-year period.

Share Incentive Plan (SIP)

Under the terms of the SIP, the Board grants free shares to every employee under an HMRC-approved SIP. Awards must be held in trust for a period of at least three years after grant date and become exercisable at this date. These option grants are settled on exercise through a transfer of shares from the Capita Trust.

Date of grant	1 September 2013 (no. of shares)	Granted during the year (no. of shares)	Lapsed during the year (no. of shares)	Exercised during the year (no. of shares)	31 August 2014 (no. of shares)	Exercise price (pence)	Exercise period
28/12/12	17,103	-	(3,765)	(137)	13,201	nil	Post 28/12/2015
15/11/13	-	10,986	(1,296)	(51)	9,639	nil	Post 15/11/2016
	17,103	10,986	(5,061)	(188)	22,840		

The fair value of SIP options granted during the current and prior year was calculated using the Black-Scholes model, assuming the following inputs:

	Year to 31 August 2014		Year to 31 August 2013
Share price (pence)	5,745		2,628
Exercise price (pence)	-		-
Expected volatility	43.7%		45.8%
Expected life (years)	3		3
Risk-free rate	0.85%		0.45%
Dividend yield	-		-
Weighted average fair value of options (pence)	5,745		2,628

Volatility has been estimated by taking the historical volatility in the Company's share price over a three-year period.

EMI Share Option Scheme

Details of options granted under the Company's historic EMI Share Option Scheme are shown below. These option grants are settled on exercise through issue of new ordinary shares by the Company (see Note 18).

Date of grant	1 September 2013 (no. of shares)	Granted during the year (no. of shares)	Lapsed during the year (no. of shares)	Exercised during the year (no. of shares)	31 August 2014 (no. of shares)	Exercise price (pence)	Exercise date
30/07/04	140,000	-	-	(140,000)	-	56.50	23/10/13
11/07/05	500,000	-	-	(500,000)	-	57.50	23/10/13
04/07/06	200,000	-	-	(200,000)	-	98.00	23/10/13
	840,000	-	-	(840,000)	-		

22 SHARE-BASED PAYMENTS (continued)

ASOS Long-Term Incentive Plan (ALTIP)

During the year to 31 August 2013 certain Executive Directors and members of senior management were granted awards under the ASOS Long-Term Incentive Plan (ALTIP). The total face value of awards approved under the Plan to 31 August 2013 was £33,600,946. The final number of ordinary shares required to satisfy these awards depended upon both the extent to which the Plan's performance conditions are met and the Company's share price at the vesting date on 31 October 2016, and accordingly the number of awards could not be readily determined so was not disclosed. However the fair value of the awards was calculated and a charge of £2,812,836, was included in the Statement of Comprehensive Income for the year to 31 August 2013.

On 31 January 2014, 50,640 awards in the form of new nil-cost options were granted and during July 2014 the terms of the ALTIP were modified following approval by the Remuneration Committee. The 603,299 awards granted on 24 July 2014 represent a modification of existing awards previously made to certain members of the senior management team under the ALTIP to a conventional share option format.

Options granted under the modification of the ALTIP scheme are as follows:

Date of grant	1 September 2013 (no. of shares)	Granted during the year (no. of shares)	Lapsed during the year (no. of shares)	Exercised during the year (no. of shares)	31 August 2014 (no. of shares)	Exercise price (pence)	Exercise period
31/01/14	–	25,320	(3,242)	–	22,078	nil	31/10/15 – 31/10/17
31/01/14	–	25,320	(3,242)	–	22,078	nil	31/10/16 – 31/10/17
24/07/14	–	519,873	(78,507)	–	441,366	6.72	31/10/16 – 31/10/17
24/07/14	–	83,426	–	–	83,426	22.09	31/10/16 – 31/10/17
	–	653,939	(84,991)	–	568,948		

The Chief Executive Officer and Chief Financial Officer continue to hold unmodified awards under this Plan with a combined face value of £8,500,000. As noted above, the final number of ordinary shares required to satisfy these awards cannot currently be determined therefore these awards continue to be excluded from the table above.

Following the modification described above, and after a re-estimation of the number of awards expected to vest under the relevant performance conditions, a credit of £3,669,636 relating to the ALTIP has been included in the Statement of Comprehensive Income for the year to 31 August 2014. A net charge of £857,036 has been recognised for the year to 31 August 2014 in respect of the Group's other share option schemes.

The fair value of ALTIP options granted prior to the modification of the Plan was calculated using the Monte Carlo model, assuming the following inputs:

	2014			2013	
	No loan vesting 2015	No loan vesting 2016	Loan	Nil-cost options	Loan
Share price (pence)	6,316	6,316	6,696	3,268	3,268
Exercise price (pence)	–	–	2,210	–	686
Expected volatility	39%	39%	39%	45%	45%
Expected life (years)	1.75	2.75	2.75	3.5	3.5
Risk-free rate	0.49%	0.78%	0.86%	0.36%	0.36%
Dividend yield	–	–	–	–	–
Weighted average fair value of options (pence)	6,074	5,838	4,069	2,233	1,925

Whilst there was no optional exercise price payable on vesting prior to the modification of the Plan, investments made by participants via non-recourse loans were treated as an exercise price in the Monte Carlo valuation model.

The fair value of both original awards and revised option grants at the modification date was calculated using the Monte Carlo model, assuming the following inputs:

	2014 grants		2013 grants	
	Original award	Modified grant	Original award	Modified grant
Share price (pence)	2,900	2,900	2,900	2,900
Exercise price (pence)	6.86	6.72	22.09	22.09
Expected volatility	47%	47%	47%	47%
Expected life (years)	2.27	3.27	2.27	3.27
Risk-free rate	0.856%	1.235%	0.856%	1.235%
Dividend yield	–	–	–	–
Weighted average fair value of options (pence)	1,989	1,918	880	1,025

Volatility has been estimated by taking the historical volatility in the Company's share price over a three-year period.

23 CAPITAL COMMITMENTS

Capital expenditure committed at the reporting date but not yet incurred is as follows:

	31 August 2014 £'000	31 August 2013 £'000
Fixtures and fittings	5,766	17,886
Intangible assets	836	796
	6,602	18,682

24 OPERATING LEASE COMMITMENTS

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 August 2014 £'000	31 August 2013 £'000
Within one year	8,215	5,819
Within two to five years	28,117	29,883
In more than five years	23,926	6,437
Total	60,258	42,139

The Group's operating leases relate to warehousing and office space.

25 CONTINGENT LIABILITIES

From time to time, the Group can be subject to various legal proceedings and claims that arise in the ordinary course of business which, due to the fast growing nature of the Group and its e-commerce base, may include cases concerning the Group's brand and trading name. All such cases brought against the Group are robustly defended and a liability is recorded only when it is probable that the case will result in a future economic outflow which can be reliably measured. At 31 August 2014, there were no pending claims or proceedings against the Group which were expected to have a material adverse effect on its liquidity or operations.

At 31 August 2014, the Group had contingent liabilities of £4.8m (2013: £3.5m) in relation to supplier standby letters of credit, rent deposit deeds and other bank guarantees. The likelihood of cash outflow in relation to these contingent liabilities is considered to be low.

26 RELATED PARTY TRANSACTIONS

Transactions with key management personnel

During the year to 31 August 2013, the Group received cash payments of £1,050,000 from Nick Robertson, £840,000 from Kate Bostock and £735,000 from Nick Beighton in respect of participation in the ALTIP. The Company also entered into aggregate loan agreements of £2,256,450 with seven other members of the Executive Board in respect of investments made in a subsidiary of the Group under the terms of participation in the ALTIP.

During the year to 31 August 2014, the cash received from Kate Bostock was returned to her following her resignation, and the Group entered into additional aggregate loan agreements of £1,842,892 with three members of the Executive Board regarding their participation in the ALTIP. Subsequently, as part of the modification of the ALTIP, the Group purchased investments made by senior management ALTIP participants, and participants used the proceeds to settle outstanding loans. Loans settled by members of the Executive Board totalled £2,820,766. Also as part of the modification, the Group agreed to waive excess loan balances of £1,278,576 due from three members of the Executive Board and recognised a liability of £751,803 representing employee and employer tax liabilities arising on this transaction.

There were no other material transactions or balances between the Group and its key management personnel or their close family during the year to 31 August 2014.

Transactions with ASOS.com Limited Employee Benefit Trust and Capita Trust ('the Trusts')

During the year the Group made a loan of £4,447,700 (2013: £21,283) to the Trusts to acquire shares in the Company to satisfy grants made under the rules of the Group's share schemes. This loan was offset by £534,111 (2013: £181,752) received by the Trusts on exercise of employee share options.

Transactions with other related parties

During the year the Group made purchases of inventory totalling £13,877,893 (2013: £7,320,215) from Aktieselskabet af 5.5.2010, a company which has a significant shareholding in the Group. At 31 August 2014, the amount due to Aktieselskabet af 5.5.2010 was £2,572,024 (2013: £198,702).

At 31 August 2014, immaterial loan balances were due to the Group from two directors of Covetique Limited, a subsidiary of the Group.

27 ACCOUNTING POLICIES

General information

ASOS Plc ('the Company') and its subsidiaries (together, 'the Group') is a global fashion retailer. The Group sells products across the world and has websites targeting the UK, US, Australia, France, Germany, Spain, Italy, Russia and China. The Company is a public limited company which is listed on the Alternative Investment Market (AIM) and is incorporated and domiciled in the UK. The address of its registered office is Greater London House, Hampstead Road, London NW1 7FB.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been adopted in preparing the financial statements. Further details are contained in the Directors' Report on page 46.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. As at the reporting date these are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board (IASB) that have been endorsed by the EU.

a) Accounting convention

The financial statements are drawn up on the historical cost basis of accounting, excluding derivative financial instruments held at fair value through profit and loss. The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated.

b) Basis of consolidation

The consolidated Group financial statements include the financial statements of ASOS Plc, all its subsidiaries, and the Employee Benefit Trust and Capita Trust up to the reporting date. All intercompany transactions and balances between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(i) Subsidiaries

Subsidiary undertakings are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases. Subsidiary undertakings acquired during the period are recorded under the acquisition method of accounting. A list of all the subsidiaries of the Group is included in Note 3 of the parent company financial statements. All apply accounting policies which are consistent with those of the rest of the Group.

Any non-controlling interest acquired on acquisition of a subsidiary is recognised at the proportionate share of the acquired net assets. Subsequent to acquisition, the carrying amount of non-controlling interest equals the amount of those interests at initial recognition plus the non-controlling share of changes in equity since acquisition. Total comprehensive income is attributed to a non-controlling interest even if this results in the non-controlling interest having a deficit balance.

(ii) Employee Benefit Trust and Capita Trust

The Employee Benefit Trust and Capita Trust ('the Trusts') are considered to be Special Purpose Entities (SPEs), where the substance of the relationship between the Group and the SPEs indicates that the SPEs are controlled by the Group. The activities of the Trusts are conducted on behalf of the Group according to its specific business needs in order to obtain benefits from its operation and, on this basis, the assets held by the Trusts are consolidated into the Group's financial statements.

Additional accounting policy information

a) Revenue recognition

Revenue consists primarily of internet and advertising sales as well as postage and packaging receipts.

Retail sales and delivery receipts are recorded net of an appropriate deduction for actual and expected returns, relevant vouchers, sales taxes, and deferral of the fair value of loyalty incentives which are yet to be redeemed. Retail sales and delivery receipts are recognised upon despatch from the warehouse at which point title and risk passes to third parties.

Advertising revenue earned via the ASOS magazine is measured at the fair value of the consideration received or receivable, net of value added tax, and is recognised when the magazine is delivered to customers, at which date the service is completed.

The amount of revenue arising from the sale of goods and provision of services has been disclosed in Note 3 to the financial statements.

27 ACCOUNTING POLICIES (continued)

b) Foreign currency translation

The trading results and cash flows of overseas subsidiaries are translated at the average monthly exchange rates during the period. The Statement of Financial Position of each overseas subsidiary is translated at year-end exchange rates. The resulting exchange differences are recognised in the translation reserve within equity and are reported in other comprehensive income.

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange at the reporting date. Exchange differences on monetary items are recognised in the Statement of Comprehensive Income.

c) Derivative financial instruments and hedging activities

The Group holds derivative financial instruments to hedge its foreign currency exposure. These derivatives are designated as cash flow hedges.

Changes in the fair value of foreign currency derivatives which are designated and effective as hedges of future cash flows are recognised in equity in the hedging reserve and in Other Comprehensive Income, and are reclassified to profit or loss on maturity of the derivative. Changes in the fair value of foreign currency derivatives which are ineffective or do not meet the criteria for hedge accounting in accordance with IAS 39 are recognised immediately in the Statement of Comprehensive Income.

d) Inventories

Inventories are valued at the lower of cost and net realisable value, on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. Cost of purchase comprises the purchase price including import duties and other taxes, transport and handling costs and any other directly attributable costs, less trade discounts.

A provision is made to write down any slow-moving or obsolete inventory to net realisable value. The provision is £7.0m at 31 August 2014 (2013: £2.8m).

e) Taxation

The tax expense included in the Statement of Comprehensive Income and Statement of Changes in Equity comprises current and deferred tax.

Current tax is the expected tax payable based on the taxable profit for the period, and the tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current and deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates and in accordance with laws that are expected to apply in the period/jurisdiction when/where the liability is settled or the asset is realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and where there is an intention to settle the balances on a net basis.

f) Share-based payments

The Group issues equity-settled share-based payments to certain employees, whereby employees render services in exchange for shares or rights over shares of the parent company.

Equity-settled awards are measured at fair value at the date of grant. The fair value is calculated using an appropriate option pricing model and is expensed to the Statement of Comprehensive Income on a straight-line basis over the vesting period after allowing for an estimate of shares that will eventually vest. The level of vesting is reviewed annually and the charge adjusted to reflect actual and estimated levels of vesting.

Where an equity-settled share-based payment scheme is modified during the vesting period, an additional charge is recognised over the remainder of that vesting period to the extent that the fair value of the revised scheme at the modification date exceeds the fair value of the original scheme at the modification date. Where the fair value of the revised scheme does not exceed the fair value of the original scheme, the Group continues to recognise the charge required under the conditions of the original scheme.

In accordance with IFRS 2, ASOS.com Limited is required to recognise share-based payment arrangements involving equity instruments where ASOS.com Limited has remunerated those providing services to the entity in this way. ASOS Plc makes contributions to ASOS.com Limited equal to the charge for the share-based payment arrangement which is reflected as an increase in ASOS Plc's investment in ASOS.com Limited.

27 ACCOUNTING POLICIES (continued)

g) Leases

Rental payable under operating leases, where substantially all the benefits and risks of ownership remain with the lessor, is charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

h) Business combinations and goodwill arising thereon

The Group applies the acquisition method of accounting to account for business combinations in accordance with IFRS 3 (R), 'Business Combinations'.

The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, equity instruments issued and liabilities incurred or assumed in exchange for control of the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income. Acquisition expenses are recognised in the Statement of Comprehensive Income as incurred.

Goodwill represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of acquisition. Goodwill is recognised as an asset and assessed for impairment at least annually. Any impairment is recognised immediately in the Statement of Comprehensive Income. For the purposes of impairment testing, goodwill is allocated to those cash-generating units that have benefited from the acquisition. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

i) Other intangible assets

The costs of acquiring and developing software that is not integral to the related hardware is capitalised separately as an intangible asset. This does not include internal website development and maintenance costs which are expensed as incurred unless representing a technological advance leading to future economic benefit. Capitalised software costs include external direct costs of material and services and the payroll and payroll-related costs for employees who are directly associated with the project.

Capitalised software development costs are stated at historic cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over the assets' expected economic lives, normally between three to five years. Amortisation is included within administrative expenses in the Statement of Comprehensive Income. Software under development is held at cost less any recognised impairment loss.

Acquired domain names and trademarks are recognised initially at cost. Those deemed to have a definite useful life are amortised on a straight-line basis according to the estimated life of the asset. Those deemed to have an indefinite useful life are tested for impairment annually or as triggering events occur. Any impairment in value is charged to the Statement of Comprehensive Income in the period in which it occurs.

j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable in bringing the asset to its working condition for its intended use. Residual values and useful lives are assessed at each reporting date.

Depreciation is recognised to write off the cost of items of property, plant and equipment to their estimated residual values, on a straight-line basis as follows:

Fixtures and fittings	depreciated over five years or over the remaining lease term where applicable
Computer equipment	depreciated over three to five years according to the estimated life of the asset

Depreciation is included in administrative expenses in the Statement of Comprehensive Income. Assets under construction are not depreciated.

At each reporting date, property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows of the relevant cash-generating unit or fair value, less costs to sell if higher. Any impairment in value is charged to the Statement of Comprehensive Income in the period in which it occurs.

REPORT ON THE COMPANY FINANCIAL STATEMENTS

Our opinion

In our opinion, ASOS Plc's Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 31 August 2014 and of its cash flows for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

ASOS Plc's financial statements comprise:

- the Company Statement of Financial Position as at 31 August 2014
- the Company Statement of Cash Flows for the year then ended
- the Company Statement of Changes in Equity for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the 'Annual Report'), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

The directors have chosen to voluntarily comply with the UK Corporate Governance Code ('the Code') as if the Company were a premium listed company. Under International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibility set out on page 48, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by the directors
- the overall presentation of the financial statements.

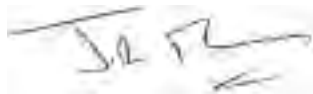
We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OTHER MATTER

We have reported separately on the Group financial statements of ASOS Plc for the year ended 31 August 2014.



John Minards

Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

St Albans

20 October 2014

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year to 31 August 2014

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 September 2012	2,854	6,105	830	9,789
Shares allotted in the year	36	263	–	299
Loss for the year and total comprehensive loss	–	–	(304)	(304)
Share-based payment contribution	–	–	4,005	4,005
At 31 August 2013	2,890	6,368	4,531	13,789
Shares allotted in the year	30	533	–	563
Loss for the year and total comprehensive loss	–	–	(356)	(356)
Share-based payment contribution	–	–	(2,813)	(2,813)
At 31 August 2014	2,920	6,901	1,362	11,183

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 August 2014

	Note	31 August 2014 £'000	31 August 2013 £'000
Non-current assets			
Investments	3	8,242	11,055
Current assets			
Other receivables	4	2,976	2,205
Cash and cash equivalents		14	633
		2,990	2,838
Current liabilities			
Other payables	5	(49)	(104)
Net current assets			
		2,941	2,734
Net assets			
		11,183	13,789
Equity			
Called up share capital	7	2,920	2,890
Share premium		6,901	6,368
Retained earnings		1,362	4,531
Total equity			
		11,183	13,789

Notes 1 to 8 are an integral part of the financial statements.

The financial statements of ASOS Plc, registered number 4006623, on pages 81 to 86, were approved by the Board of Directors and authorised for issue on 20 October 2014 and were signed on its behalf by:



Nick Robertson



Nick Beighton

Directors

COMPANY STATEMENT OF CASH FLOWS

For the year to 31 August 2014

	Year to 31 August 2014 £'000	Year to 31 August 2013 £'000
Operating loss	(356)	(304)
Adjusted for:		
Increase in other receivables	(771)	(1,859)
(Decrease)/increase in other payables	(55)	6
Net cash used in operating activities	(1,182)	(2,157)
Financing activities		
Proceeds from issue of ordinary shares	563	299
Net cash generated from financing activities	563	299
Net decrease in cash and cash equivalents	(619)	(1,858)
Opening cash and cash equivalents	633	2,491
Closing cash and cash equivalents	14	633

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year to 31 August 2014

1 ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. As at the year end, these are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board (IASB) that have been endorsed by the European Union. The financial statements are prepared under the historical cost convention. The accounting policies have been applied consistently in the current period and prior year. The financial statements have been prepared on a going concern basis as explained on page 46 of the Directors' Report. No new accounting standards or amendments issued during the year have had or are expected to have any significant impact on the Company.

The principal accounting policies are included within the relevant notes to the financial statements.

2 LOSS FOR THE YEAR

The Company has not presented its own Statement of Comprehensive Income as permitted by section 408 of the Companies Act 2006.

The loss for the year and total comprehensive loss attributable to shareholders was £356,000 (2013: loss of £304,000).

3 INVESTMENTS

Investments in subsidiary companies are stated at cost and are subject to review for impairment. In accordance with IFRS 2, ASOS.com Limited is required to recognise share-based payment arrangements involving equity instruments where ASOS.com Limited has remunerated those providing services to the entity in this way. ASOS Plc makes contributions to ASOS.com Limited equal to the charge/credit for the share-based payment arrangement which is reflected as an increase/(decrease) in ASOS Plc's capital contribution to ASOS.com Limited. For the year to 31 August 2014, ASOS.com Limited recognised a credit of £2.8m in respect of share-based payment arrangements, as certain schemes are no longer expected to vest under the relevant performance conditions. Accordingly, this is shown as a reduction in the capital contribution balance in the table below.

	Investment £'000	Capital contribution £'000	Total £'000
Cost and net book amount			
At 1 September 2012	1,705	5,345	7,050
Additions	1,706	4,005	5,711
Disposals	(1,706)	–	(1,706)
At 31 August 2013	1,705	9,350	11,055
Additions	–	(2,813)	(2,813)
At 31 August 2014	1,705	6,537	8,242

Additions and disposals of investment balances during the year to 31 August 2013 were a result of internal Group restructuring following the implementation of the ASOS Long-Term Incentive Plan on 30 April 2013 and relate only to entities which were subsidiaries of the Group prior to that date.

The Directors believe the carrying value of investments is supported by their underlying net assets.

3 INVESTMENTS (continued)

At 31 August 2014, the Company's subsidiaries were as follows:

Name of company	Country of incorporation	Proportion of ordinary shares held	Nature of business
ASOS Intermediate Holdings Limited	UK	100%	Holding company
Mornington & Co (No. 1) Limited	UK	100%	Vehicle for implementation of ALTIP
Mornington & Co (No. 2) Limited	UK	100%	Vehicle for implementation of ALTIP
ASOS.com Limited	UK	100%	Internet retailer
Crooked Tongues Limited	UK	95%	Internet retailer
Covetique Limited	UK	30%	Internet marketplace
ASOS Marketplace Limited	UK	100%	Internet marketplace
ASOS Global Limited	UK	100%	Holding company
ASOS US, Inc	US	100%	Employer of marketing staff based in the US
ASOS Germany GmbH	Germany	100%	Employer of marketing staff based in Germany
ASOS France SAS	France	100%	Employer of marketing staff based in France
ASOS Australia Pty Limited	Australia	100%	Employer of marketing staff based in Australia
ASOS Brand Services Limited	UK	100%	Holding company
ASOS Canada Services Limited	Canada	100%	Non-trading company
ASOS Transaction Services Limited	UK	100%	Holding company
ASOS Transactions Services Australia Pty Limited	Australia	100%	Payment processing company
ASOS US Sales LLC	US	100%	Payment processing company
ASOS Projects Limited	UK	100%	Holding company
ASOS (Shanghai) Commerce Co. Limited	China	100%	Internet retailer

ASOS Intermediate Holdings Limited, Mornington & Co (No. 1) Limited and Mornington & Co (No. 2) Limited are direct subsidiaries of the Company. All others are indirect subsidiaries of ASOS Plc.

All operating subsidiaries' results are included in the consolidated financial statements, based on percentage of voting rights held. See Note 10 for further detail of the Group's arrangement regards ownership and control of Covetique Limited.

No subsidiaries have non-controlling interests that are material to the consolidated financial statements of ASOS Plc.

The accounting reference date of all subsidiaries of ASOS Plc is 31 August, except for ASOS (Shanghai) Commerce Co. Limited which has an accounting reference date of 31 December due to Chinese statutory requirements.

4 OTHER RECEIVABLES

Other receivables are non-interest bearing and are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of receivables due from subsidiary undertakings is established when there is objective evidence that amounts will not be recovered.

	31 August 2014 £'000	31 August 2013 £'000
Prepayments	-	24
Receivables from subsidiary undertakings	2,976	2,181
	2,976	2,205

The fair value of other receivables is not materially different to their carrying value.

As at 31 August 2014, receivables from subsidiary undertakings of £2,976,000 (2013: £2,181,000) were unimpaired and considered by management to be fully recoverable. Receivables from subsidiary undertakings that are less than three months past due are not considered impaired. As at 31 August 2014, receivables of £3,193,000 (2013: £2,649,000) were more than three months past due but not impaired. These relate to subsidiary undertakings for which there is no history of default. The ageing analysis of these receivables is as follows:

	31 August 2014 £'000	31 August 2013 £'000
Three to six months	(19)	(30)
More than six months	3,212	2,679
	3,193	2,649

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

5 OTHER PAYABLES

	31 August 2014 £'000	31 August 2013 £'000
Accruals	49	104

All accruals are due within one year. The fair value of accruals is not materially different from their carrying value.

6 FINANCIAL INSTRUMENTS

	31 August 2014 £'000	31 August 2013 £'000
Financial assets		
Loans and receivables	2,990	2,814
Financial liabilities		
Amortised cost	49	104

Loans and receivables includes cash and cash equivalents and receivables due from subsidiary undertakings, and excludes prepayments.

Included in financial liabilities at amortised cost are accruals.

7 CALLED UP SHARE CAPITAL

	31 August 2014 £'000	31 August 2013 £'000
Authorised:		
100,000,000 (2013: 100,000,000) ordinary shares of 3.5p each	3,500	3,500
Allotted, issued and fully paid:		
83,425,440 (2013: 82,581,006) ordinary shares of 3.5p each	2,920	2,890

During the year 840,000 (2013: 1,051,695) ordinary shares of 3.5p each were issued as a result of exercise of employee share options. Total consideration received in respect of exercise of employee share options was £562,600 (2013: £299,680). A further 4,434 shares were issued to the Chairman (2013: 4,434) for zero consideration, as part of his remuneration package.

8 RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions in the ordinary course of business with related parties as follows:

	£'000	£'000
Costs recharged by subsidiary undertakings	385	304

For transactions with Directors of ASOS Plc, see Note 26 to the consolidated financial statements on page 75.

FIVE-YEAR FINANCIAL SUMMARY (UNAUDITED)

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Year to 31 March 2010 £'000	Year to 31 March 2011 £'000	Year to 31 March 2012 £'000	5 months to 31 August 2012 £'000	Year to 31 August 2013 £'000	Year to 31 August 2014 £'000
Revenue	222,999	339,691	494,957	238,023	769,396	975,470
Cost of sales	(111,803)	(173,042)	(242,987)	(117,892)	(370,816)	(490,463)
Gross profit	111,196	166,649	251,970	120,131	398,580	485,007
Distribution costs	(18,060)	(34,959)	(65,840)	(35,906)	(115,172)	(147,303)
Administrative expenses	(72,825)	(102,840)	(144,346)	(70,883)	(228,953)	(294,108)
Net other income	-	-	-	-	-	3,050
Operating profit before exceptional items	20,311	28,850	41,784	13,342	54,455	46,646
Exceptional items	-	(12,943)	(10,585)	-	-	-
Operating profit after exceptional items	20,311	15,907	31,199	13,342	54,455	46,646
Share of post-tax losses of joint venture	(69)	(3)	-	-	-	-
Finance income	97	16	-	-	283	312
Finance expense	-	(215)	(850)	(97)	(68)	(57)
Profit before tax	20,339	15,705	30,349	13,245	54,670	46,901
Income tax expense	(5,759)	(4,856)	(8,070)	(3,341)	(13,744)	(10,313)
Profit for the period	14,580	10,849	22,279	9,904	40,926	36,588
Net exchange adjustments offset in reserves	-	-	-	-	(45)	(176)
Derivative financial assets	-	-	-	-	225	2,015
Other comprehensive income for the period	-	-	-	-	180	1,839
Profit/(loss) attributable to:						
Owners of the parent company	14,580	10,849	22,279	9,904	40,928	36,950
Non-controlling interest	-	-	-	-	(2)	(362)
	14,580	10,849	22,279	9,904	40,926	36,588
Total comprehensive income/(loss) attributable to:						
Owners of the parent company	14,580	10,849	22,279	9,904	41,108	38,789
Non-controlling interest	-	-	-	-	(2)	(362)
	14,580	10,849	22,279	9,904	41,106	38,427
Underlying earnings per share						
Basic	20.0p	27.3p	39.8p	12.5p	50.1p	44.6p
Diluted	18.7p	25.6p	36.3p	11.9p	49.2p	44.5p
Earnings per share						
Basic	20.0p	14.6p	29.3p	12.5p	50.1p	44.6p
Diluted	18.7p	13.7p	26.7p	11.9p	49.2p	44.5p

GROUP STATEMENT OF FINANCIAL POSITION

	As at 31 March 2010 £'000	As at 31 March 2011 £'000	As at 31 March 2012 £'000	As at 31 August 2012 £'000	As at 31 August 2013 £'000	As at 31 August 2014 £'000
Non-current assets	24,544	52,359	58,589	58,640	78,619	119,301
Current assets	58,226	83,809	126,410	147,638	233,132	260,662
Assets of disposal group classified as held for sale	–	2,800	–	–	–	–
Total assets	82,770	138,968	184,999	206,278	311,751	379,963
Equity attributable to owners of the parent company	45,478	72,120	95,235	105,987	159,801	193,437
Non-controlling interest	–	–	–	–	(2)	(406)
Current liabilities	37,292	64,947	83,829	100,291	151,952	185,539
Revolving credit facility	–	–	5,000	–	–	–
Provisions for liabilities and charges	–	1,901	935	–	–	–
Long-term liabilities	–	–	–	–	–	1,393
Total liabilities, capital and reserves	82,770	138,968	184,999	206,278	311,751	379,963

GROUP STATEMENT OF CASH FLOWS

	Year to 31 March 2010 £'000	Year to 31 March 2011 £'000	Year to 31 March 2012 £'000	5 months to 31 August 2012 £'000	Year to 31 August 2013 £'000	Year to 31 August 2014 £'000
Net cash generated from operating activities after exceptional items	10,708	15,282	37,500	16,620	74,176	68,659
Net cash used in investing activities	(8,402)	(25,727)	(21,587)	(8,017)	(31,052)	(61,899)
Net cash (used in)/generated from financing activities	(248)	(521)	3,723	(5,034)	131	(3,416)
Net movement in cash and cash equivalents	2,058	(10,966)	19,636	3,569	43,255	3,344
Opening cash and cash equivalents	13,587	15,645	4,679	24,315	27,884	71,139
Effect of exchange rates on cash and cash equivalents	–	–	–	–	–	(143)
Closing cash and cash equivalents	15,645	4,679	24,315	27,884	71,139	74,340

COMPANY INFORMATION

DIRECTORS

Brian McBride (*Chairman*)
Nick Robertson
Nick Beighton
Karen Jones
Ian Dyson
(*Appointed 1 October 2013*)
Hilary Riva
(*Appointed 1 April 2014*)
Rita Clifton
(*Appointed 1 April 2014*)
Jon Kamaluddin
(*Resigned 1 October 2013*)
Peter Williams
(*Resigned 4 December 2013*)
Mary Turner
(*Resigned 4 December 2013*)

COMPANY SECRETARY

Andrew Magowan

REGISTERED OFFICE

Greater London House
Hampstead Road
London NW1 7FB

Registered in England
Company Number 4006623

INDEPENDENT AUDITORS

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Auditors
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LAWYERS

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